STATE OF MONTANA

REPORT

of the

COMMISSIONER OF STATE

LANDS AND INVESTMENTS

For the Two Fiscal Years
Beginning July 1, 1932, and
Terminating June 30, 1934
Biennial Report

TO

THE HONORABLE F. H. COONEY
GOVERNOR

I. M. BRANDJORD
Commissioner of State Lands and Investments

NANITA B. SHEPLOCK,
Assistant Commissioner

L. E. CHOQUETTE,
Chief Field Agent

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Officers of the Department of
State Lands and Investments

The State Board of Land Commissioners is the governing board created by Section 4 of Article XI of the Constitution, and consists of the following officers:

Hon. F. H. Cooney, Governor, President
Hon. Elizabeth Ireland, Superintendent of Public Instruction
Hon. Sam W. Mitchell, Secretary of State
Hon. Raymond T. Nagle, Attorney General

Officers Under This Board:

I. M. BRANDJORD
Commissioner and Secretary to the Board

NANITA B. SHERLOCK,
Assistant Commissioner

L. F. CHOQUETTE,
Chief Field Agent

RUTLEDGE PARKER,
State Forester (Address Missoula)

L. L. WHITE,
Fire Warden
(Address Missoula)

F. A. ANDERSON,
Forest Warden (Address Kalispell)

AMENDMENT TO ENABLING ACT
PERMITTING SALE OF GRAZING LANDS AT $5.00 PER ACRE,
REMOVING THE LIMITATION OF 640 ACRES ON THE QUANTITY
OF LAND THAT MAY BE LEASED TO ONE PERSON OR COMPANY,
AND MAKING OTHER CHANGES

(U. S. Statutes At Large, Chapt. 172, p 150)

An Act to amend section 11 of the Act approved February 22, 1889 (25 Stat. 676), relating to the admission into the Union of the States of North Dakota, South Dakota, Montana, and Washington.

BE IT ENACTED BY THE SENATE AND HOUSE OF REPRESENTATIVES OF THE UNITED STATES OF AMERICA IN CONGRESS ASSEMBLED, That section 11 of the Act approved February 22, 1889 (25 Stat. 670), be, and the same is hereby, amended to read as follows:

"That all lands granted by this Act shall be disposed of only at public sale after advertising--tillable lands capable of producing agricultural crops for not less than $10.00 per acre and lands principally valuable for grazing purposes for not less than $5.00 per acre. Any of the said lands may be exchanged for other lands, public or private, of equal value and as near as may be of equal area, but if any of the said lands are exchanged with the United States such exchange shall be limited to surveyed, nonmineral, unreserved public lands of the United States within the State.

"The said lands may be leased under such regulations as the legislature may prescribe; but leases for grazing and agricultural purposes shall not be for a term longer than five years; mineral leases, including leases for exploration for oil and gas and the extraction thereof, for a term not longer than twenty years; and leases for development of hydro-electric power for a term not longer than fifty years.

"The State may also, upon such terms as it may prescribe, grant such easements or rights in any of the lands granted by this Act, as may be acquired in privately owned lands through proceedings in eminent domain: Provided, however, That none of such lands, nor any estate or interest therein, shall ever be disposed of except in pursuance of general laws providing for such disposition, nor unless the full market value of the estate or interest disposed of, to be ascertained in such manner as may be provided by law, has been paid or safely secured to the State.

"With the exception of the lands granted for public buildings, the proceeds from the sale and other permanent disposition of any of the said lands and from every part thereof, shall constitute permanent funds for the support and maintenance of the public schools and the various State institutions for which the lands have been granted. Rentals on leased lands, interest on deferred payments on lands sold, interest on funds arising from these lands, and all other actual income, shall be available for the maintenance and support of such schools and institutions. Any State may, however, in its discretion, add a portion of the annual income to the permanent funds.

"The lands hereby granted shall not be subject to preemption, homestead entry, or any other entry under the land laws of the United States whether surveyed or unsurveyed, but shall be reserved for the purposes for which they have been granted."

Sec. 2. Anything in the said Act approved February 22, 1889 inconsistent with the provisions of this Act is hereby repealed.

Approved, May 7, 1932.

OFFICERS OF STATE LAND DEPARTMENT FROM 1891 TO 1934

YEAR	STATE BOARD OF LAND COMMISSIONERS				REGISTER**	LAND AGENT	STATE FORESTER
	Governor	Supt.Pub.Inst.	Secy. of State	Atty. General			
1890-1892	Jos. K. Toole	John Gannon	L. Rotwitt	H. J. Haskell		Granville Stuart	
1893-1894	John E. Rickards	E. A. Steere	L. Rotwitt	H. J. Haskell		R. C. Hickman	
1895-1896	John E. Rickards	E. A. Steere	L. Rotwitt	H. J. Haskell	S. A. Swiggett	J. M. Page	
					Appd. 3/25/1895	J. M. Page	
1897-1900	Robt. B. Smith	E. A. Carleton	T. S. Hogan	C. B. Nolan	H. L. Moore	Henry Neill	
1901-1904	Jos. K. Toole	W. W. Welch	Geo. M. Hays	James Donovan	Thos. D. Long John P. Schmit	Henry Neill	
1905-1908	Jos. K. Toole	W. E. Harmon	A. N. Yoder	Albert J. Galen	John P. Schmit	Henry Neill	
1909-1912	Edw. L. Norris	W. E. Harmon	T. M. Swindlehurst	Albert J. Galen D. M. Kelly	F. H. Ray	C. A. Whipple	C. W. Jungberg
1913-1916	S. V. Stewart	H. A. Lavee	A. M. Alderson	J. B. Poindexter	Sidney Miller	C. A. Whipple	John C. Van Hook
1917-1920	S. V. Stewart	May Trumper	C. T. Stewart	S. C. Ford	Sidney Miller	C. A. Whipple	John C. Van Hook
1921-1924	Jos. M. Dixon	May Trumper	C. T. Stewart	W. I. Rankin L. A. Foot*	H. V. Bailey	Geo. W. Cook	R. P. McLaughlin
1925-1928	J. E. Erickson	May Trumper	C. T. Stewart***	L. A. Foot	I. M. Brandjord	L. E. Choquette	Rutledge Parker
1929-1928	J. E. Erickson	May Trumper	J. W. Mountjoy	L. A. Foot	I. M. Brandjord	L. E. Choquette	Rutledge Parker
1928-1930	J. E. Erickson	Elizabeth Ireland	W. E. Harmon	L. A. Foot	I. M. Brandjord	L. E. Choquette	Rutledge Parker
1930-1932	J. E. Erickson	Elizabeth Ireland	W. E. Harmon	L. A. Foot	I. M. Brandjord	L. E. Choquette	Rutledge Parker
1932-1934	J. E. Erickson‡ F. H. Cooney	Elizabeth Ireland	Sam W. Mitchell	Raymond T. Nagle	I. M. Brandjord	L. E. Choquette	Rutledge Parker

It will be noted that there was a State Land Agent before there was a Register of State Lands. Mr. Granville Stuart, the first Land Agent, was appointed under an act of the state legislature approved March 6, 1891. The office of Register of State Lands was created by an act of the state legislature approved March 7, 1895. Mr. S. A. Swiggett was the first Register and assumed the duties of the office on March 25, 1895. Prior to the creation of the office of Register the greater part of the routine business of the Land Office was transacted directly by the State Board of Land Commissioners. The Superintendent of Public Instruction acted as its secretary, and continued to serve in that capacity until March 19, 1909, on which date a general revision and codification of the State land laws took effect, under which the Register acts as secretary.

*Mr. Foot served the last four months of Mr. Rankin's term in 1924.

**From and after July 1, 1928, the official title of the Register is "Commissioner of State Lands and Investments".

***The services of C. T. Stewart as Secretary of State terminated on March 4, 1927; N. R. Hawkins served as Secretary from March 4 to May 1, 1927; William Powers served as Secretary from May 1, 1927, to April 15, 1928, and John W. Mountjoy assumed the office April 16, 1928.

‡Governor Erickson was re-elected for a third term at the general election in November 1932; Mr. F. H. Cooney was elected Lieutenant Governor. Mr. Erickson resigned on March 13, 1933, and Mr. Cooney thereby became Governor.

I N D E X

STATE OF MONTANA

DEPARTMENT OF STATE LANDS
AND INVESTMENTS

Helena, Montana, December 21, 1934

Honorable F. H. Cooney
Governor of the State of Montana
Capitol

My dear Governor:

In submitting the report of this department for the two year period terminating June 30, 1934, allow me to say that I am deeply grateful to you and the other members of the State Board of Land Commissioners for the most considerate treatment that you have accorded me as your representative and agent in the administration of that vast heritage arising through the Federal Land Grants to the State of Montana. I am especially appreciative of the support that you have given me in the difficult task of protecting and conserving this huge estate for the benefit of the schools and institutions of the state.

This department has had its special difficulties during the economic depression the same as other departments of the government of the state. The income of the department fell slightly below one million dollars during the year ending June 30, 1933 -- the lowest in nine years. It increased slightly during the fiscal year ending June 30, 1934, exceeding $1,085,000.00. Please see Table No. 5 for an itemized report of this income. The income since July 1 shows a very decided increase over the income for the corresponding months one year ago. The report contains numerous tables giving detailed information in regard to income for various years, receipts for the permanent funds, investments made, permanent assets and various other matters.

As carried on our records the total of the permanent assets belonging to the department on June 30, 1934, including unsold lands, outstanding sales contracts, farm mortgage loans, investments and cash on hand, exceeded sixty-nine million dollars. See Table No. 8.

It is regrettable that this report cannot be submitted to you in printed form in accordance with the established usage that has prevailed from the beginning of this department more than forty years ago. As you are aware, Chapter 148 of the 1933 Session Laws makes it unlawful to use any state funds for the publication of the biennial reports of various departments and offices of the state including this department. The wisdom of this legislation is questioned. The taxpayers throughout the state should be furnished with information showing somewhat in detail how this vast property is being administered. There is also a very considerable demand for the report of this department from other states.

Patents to State Lands Assured

The outstanding accomplishment relating to this department during the two year period was the passage by Congress of an Act authorizing the Secretary of the

Interior to issue patents to sections 16 and 36 and other school sections "in place".

It is not commonly known that the State of Montana and the other states do not have patents or deeds to their school lands. The title rests on the granting acts, court decisions, rulings of the General Land Office and the facts relating to each separate section. Many years ago this office commenced to work for national legislation authorizing the issue of patents, and a bill to this effect was introduced by Senator Walsh, but failed of enactment at that time. Senator Erickson reintroduced this legislation and the Act was signed by the President on June 21, 1934. The report of the Secretary of the Interior on the pending legislation gives some indication of its necessity and importance; the following is quoted from his report:

"There has been no provision of law whereby the states may be given evidence of title to such school section lands, either by United States patent or other formal instrument of conveyance ..... The need of the legislation along the lines proposed by the bill under consideration has long been manifest, in order to do away with the uncertainty of title in and to these school section lands ....."

"In the absence of some provision by which the known condition of the specified sections, at the time when the grant takes effect, can be ascertained and adjudicated, and evidence of title issued accordingly, the title of the state must remain in doubt and be subject to attack.

"The urgent need of legislation such as that proposed by the bill under consideration is beyond question ..... ".

* * * * * * * * * * *

This legislation will be of enduring value in assuring to the state good title to its millions of acres of school lands.

Taylor Grazing Act

On June 28, 1934, the President signed what is commonly known as the Taylor Grazing Act (Public No. 482). The following is quoted from the President's statement on approval of the Act:

"It authorizes the Secretary of the Interior to provide for the protection, orderly use, and regulation of the public ranges, and to create grazing districts with an aggregate area of not more than 80 million acres. It confers broad powers on the Secretary of the Interior to do all things necessary for the preservation of these ranges, including, amongst other powers, the right to specify from time to time the number of livestock which may graze within such districts and the seasons when they shall be permitted to do so. The authority to exercise these powers is carefully safeguarded against impairment by state or local action. Creation of a grazing district by the Secretary of the Interior and promulgation of rules and regulations respecting it will supersede state regulation of grazing on that part of the public domain included within such district."

* * * * * * * * * * *

It will be seen from the foregoing that it is entirely different from the bill introduced by Senator Walsh on March 11, 1932. Thatbill proposed to grant to the grant to the public land states, subject to certain conditions, all the unappropriated and unreserved public lands including the minerals therein. If enacted into law, the Walsh Bill would ultimately have been worth billions of dollars to the State of Montana.

Roughly speaking there is approximately six million acres of unreserved public

lands of the United States within the boundaries of the State of Montana. Intermingled with these lands there are approximately five million acres of state lands, including the so-called mortgage lands. The administration contemplated by the Taylor Grazing Act is not likely to be fully in line with the administration that must be given to the state owned lands under the requirements of the Enabling Act and the mandates of the Constitution. The lands granted to the State of Montana are to be sold, the proceeds from these sales to constitute permanent funds for our schools and various state institutions.

It is likely that the administration of grazing districts under the Taylor Grazing Act will be such as to remove the incentive to purchase the state owned lands within these districts. If so, the enactment of the Taylor Grazing bill would result in a material and permanent impairment of the value of the lands already granted to the State of Montana. To some extent it would tend to defeat the very end and purpose for which the Federal land grants were made to our state.

In order to prevent this result, it will probably be necessary for the State of Montana to endeavor to exchange state lands within such grazing districts for other lands of the United States so that the state owned lands may be consolidated into somewhat, compact bodies of considerable size.

As you are fully aware, the State Board of Land Commissioners has already taken action preparing for this contemplated exchange and consolidation of state lands.

I regard this exchange problem as the most important business now before this department.

State Farm Loans.
Plan for Repayment to the School Fund

On June 30, 1934, this department had more than $4,270,000.00 invested in state farm mortgage loans. Not one single loan has been made since December, 1925, but the greater portion of the loans previously made remain unpaid and are hopelessly delinquent. Please see Table No. 13 and the notes following for comprehensive information on this subject.

There are 1,949 loans now unpaid, and the state has taken title to the lands under 1,114 of these loans. There is approximately one and one-half million dollars accumulated in delinquent interest.

As an investment for the public school funds of the state, these loans cannot be regarded as satisfactory. Under Section 3, Article XI of the State Constitution "such public school fund shall forever remain inviolate, guaranteed by the state against loss or diversion ..... ". It would appear not to be too early to adopt a plan for carrying into effect this constitutional guaranty.

The recommendation of this department made in the reports of 1928, 1930 and 1932, is therefore renewed to the effect that the Legislative Assembly should enact legislation acknowledging the state's indebtedness to the Public School Permanent Fund for the amount actually invested in such loans, and make provision for the annual payment of interest at a fixed rate and the systematic repayment of the principal itself.

The proceeds from the loans and lands taken over under these loans must, of course, first of all be applied toward the payment of indebtedness and the interest

thereon, but in order that the school fund may ultimately be reimbursed for the full amount of the investment, the Legislative Assembly should provide additional funds for this purpose. It is suggested that these funds should not come from the State General Fund, as that fund is already overburdened.

Reservation of Coal, Oil, Gas and Other Minerals in Mortgage Lands

In connection with this recommendation for settlement with the public school fund for the investment in state farm loans, it is suggested that coal, oil, gas and other minerals should be reserved in the state's mortgage lands approximately to the same extent as they are reserved in other state lands.

The term "mortgage lands" as here used applies to all lands to which the state has found it necessary to take title in connection with its farm loan business. When Chapter 60 of the 1927 Session Laws was enacted into law, it reserved from sale coal, oil and gas and other minerals in state lands, including mortgage lands (Section 65). The exception was made, however, that if the land was repurchased by the original mortgagor or any one claiming under him through the redemption period, then the oil and gas reservations would not apply; all rights that passed with the land from the mortgagor to the state went back to the purchaser. But in 1929 the Legislature so amended this section that no mineral reservations whatever applies to mortgage lands, no matter who became the purchaser -- Chapter 28. Coal, oil and gas would thus be sold outright together with the land in which they are found.

It is believed that this is not good legislation. It is painfully evident that the state will suffer considerable losses in connection with its farm loan business and every reasonable means should be used for keeping these losses down as low as possible. The discovery of oil or gas in large quantities in one single tract of mortgage land might do considerable towards reimbursing the state for its losses. This would benefit all the taxpayers of the state. It is therefore recommended that this statute be re-amended approximately to its original form.

Reductions in Appropriations and Cost of Administration

The Legislative Assembly of 1933 failed to make any appropriation for the field service except the appropriation for the chief field agent and for one stenographer. The chief field agent has all the work he can possibly attend to and a little more right in the office, and as a result we have had no field men during the last fiscal year; the work has suffered accordingly.

Field Men Urgently Needed

On June 30, 1934, we had more than six thousand agricultural and grazing leases outstanding and of these 1,176 were crop share leases; there were 119 oil and gas leases in effect and a number of coal leases scattered throughout the various sections of the state. There were over three and one-third millions of dollars in outstanding sales contracts and more than four and one-quarter millions of dollars invested in state farm loans, most of them hopelessly delinquent; and the total of unsold lands was not so far below five million acres. It must be conspicuously evident to any person with some business experience that this vast and varied estate cannot be satisfactorily administered without a number of men in the field. It is doubtful if there is any business institution in the United States similar to this department that attempts to run its business almost solely through letters and postage stamps. Unquestionably considerable financial losses have resulted from the

lack of field men.

The enactment of the Taylor Grazing Act already mentioned is likely to necessitate the exchange of hundreds of thousands of acres of state lands for lands of the United States and this will make the need of field men during the coming year even more urgently necessary.

Reduction in Salary Appropriations and Resulting Overdrafts

The reduction in appropriations for this department has not been confined to field men. The total appropriation for salaries in the Department of State Lands and Investments, exclusive of salaries for the field division, has been $22,000.00 per annum for several years, and of this appropriation the salaries of the commissioner and the assistant commissioner, aggregating $6,000.00, are fixed by law, leaving only $16,000.00 for salaries of all others.

The salary appropriations for each of the two fiscal years beginning with July 1, 1933, and terminating June 30, 1935, was only $17,740.00; deducting from this appropriation the salaries fixed by law in the sum of $6,000.00, leaves a balance of only $11,740.00 per annum for all other employees. This represents a cut in salaries of these employees of more than twenty-six per centum from the appropriations for previous years. It was found absolutely impossible to operate the department in a somewhat satisfactory manner on this appropriation, and the salary account shows an overdraft of $3,735.26 for the fiscal year ending June 30, 1934. The expenditures for salaries are on the same basis during the present fiscal year and will therefore result in a total overdraft for salaries by June 30, 1935, of approximately $7,500.00. It will therefore be necessary to obtain a deficiency appropriation for salaries for this department for the current fiscal year in the sum of approximately $7,500.00.

Meager as the appropriations were for other operating costs of the department for the two fiscal years beginning July 1, 1933, and terminating June 30, 1935, there will be some unexpended balances in some of these accounts at the close of the two year period. We estimate these unexpended balances to aggregate about $3,500.00, including unexpended balance in the expense account of the chief field agent. There is an appropriation of $2,000.00 per annum for travelling and other expenses for the chief field agent, but as no appropriation was made for field men, there will be a considerable balance in this account at the end of the fiscal year.

If the Legislative Assembly would authorize the transfer of all these unexpended balances to the salary account of the commissioner, assistant commissioner and others, a deficiency appropriation of about $4,000.00 would enable the department to operate in the ordinary manner to the end of the fiscal year.

The appropriations heretofore made for salaries will be exhausted before the end of February, 1935, and it will be impossible to operate the department unless a deficiency appropriation is made.

"The Laborer is Worthy of His Hire"

The good men and women who carry on the daily grind of work in this department are entitled to the fullest consideration. They are people of intelligence and education and are laboring efficiently and industriously in the discharge of their numerous duties. I want to express to all of them my deep appreciation of their splendid service.

The work of the last year and a half in this department has been particularly heavy. The enactment of Chapter 42 of the 1933 Session Laws practically cutting in two grazing rentals on state lands has resulted in the cancellation of the bulk of the old leases and the issue of new ones.

The Domestic Allotment Plan And Other Plans

The Agricultural Adjustment Act approved by the President May 12, 1933, and embracing the Domestic Allotment Plan in regard to wheat, has greatly added to our work. It has required the almost constant work of our accountant and considerable help from other clerks; but this has been a paying business for the department. Up to June 30, 1934, this department received from this source $22,852.09 from adjustment payments applying to the 1933 crop. This represents twenty cents per bushel, and there was about eight cents per bushel yet unpaid which should bring more than $9,000.00 additional, making the total adjustment payments coming to this department for one year just about $32,000.00, being approximately $4,000.00 more than the total appropriation for this department, including the field division, for the current fiscal year.

The total wheat adjustment payments made to the farmers throughout the State of Montana applying to the 1933 crop exceeds six and one-quarter million dollars.

I trust that you will pardon me, dear Governor, for saying that I take some pride in having helped to shape the Domestic Allotment Plan in so far as it relates to wheat. The report of this department for 1932 contains a comprehensive exposition of the plan which was then in its formative stages. See page 104 and following pages. More comprehensive plans relating to economics and public finance will be found in this report. The troubled conditions still prevailing throughout the state and nation and the vastness of the estate that we endeavor to manage, require our very best thinking and some boldness of initiative and planning.

A Revenue Producing Department

During the last nine fiscal years the total earnings of this department have amounted to more than $11,800,000.00, an average of more than $1,300,000.00 per annum. It would appear to be the part of wisdom, particularly during these hard times, to make sufficient appropriations for this revenue producing department to enable it to function with a fair degree of efficiency. I know that this is in full accord with your ideas and sentiments.

Very respectfully,

IMB:FS

I. M. BRANDJORD, COMMISSIONER.

TABLE NO. I

INCOME FROM ALL SOURCES DURING ENTIRE FISCAL YEAR, JULY 1, 1932 TO JUNE 30, 1933

Institutions and Funds to Which the Income Belongs	Rentals on Agricultural and Grazing Leases	Grazing Fees Collected by State Forester	Rentals on Oil and Gas Leases	Interest on Land Sales (Certificates of Purchase)	Interest on Farm Mortgages	Interest on Bonds	Interest on Warrants	Interest on Bank Deposits	Fees and Penalties	TOTALS
State General Fund									2 $4,873.75) 3 5,886.42)	$ 10,760.17
Public Schools	$ 164,015.31	$ 40,045.35	$ 23,509.96	$ 56,256.95	$ 57,620.48	$321,727.75	1 $ 178,801.66) (361.29)	$ 7,764.55		814,103.00
State University	778.58	73.00		774.44		22,466.15	(250.73			24, 342.90
Agri. Col. Morrill Grant	4,110.77			1,104.98		24,791.03	(335.35			30, 342.13
Agri. Col. Second Grant	224.78	396.47		229.67		10,039.42	(576.29			11,466.63
School of Mines	2,175.70	200.18		853.02		28,231.08	(185.33			31,645.31
State Normal Schools	1,849.50	192.33		590.75		28,865.21				31,497.85
Deaf and Dumb Asylum	291.65	193.42		738.45		10,191.73				11,415.25
State Reform School	940.94	218.35		183.31		10,453.50				11,796.10
Capitol Buildings	1,474.54	3,197.81	161.25	1,964.06						6,797.66
Soldiers' Home	135.35			187.02		238.03				560.40
Mont. Trust & Legacy Fund						6,253.59				6,253.59
Veterans' Memorial Fund						1,441.62		25.53	4 374.79	1,841.94
O. H. & T.B. Society Fund	5.50			68.25						73.75
TOTALS	$ 176,002.68	$ 8,516.91	$ 23,671.21	$ 62,950.90	$ 57,620.48	$464,099.11	$180,510.65	$ 7,790.08	$ 11,134.96	$992,896.98

Univ. Village War. 7.4

1. General Fund Warrants. 2. Fees. 3. Penalties for failure to fulfill drilling obligations under state oil and gas leases. 4. Boxing-match receipts from counties.

The foregoing represents all the actual income received by this department during the fiscal year ending June 30, 1933. It indicates the various sources of this income, gives the amount received from each, and shows to what institutions and funds the income belongs. The figures given show the total gross income actually received without regard to subsequent refunds or deductions. When the full agricultural rental has been paid and the land is summer-fallowed, the lessee is entitled to a partial refund. The total rental refunds during the year came to $979.15. Interest accrued on bonds at the time of delivery to the State for payment is also refunded and the total for the year amounted to $1,054.22.

Every dollar of the net income is used for the support and maintenance of the schools or institutions to which the income belongs, except that five per centum of the total income for the public schools is annually added to the permanent fund itself and becomes an inseparable and inviolable part thereof under the provisions of Section 5 of Article XI of the Constitution. The annual apportionment of the Public School Income Fund is usually made during the month of March and distributes the net income for the previous CALENDAR year.

Owing to the continuation of the economic depression, the total income shows a slight decrease from the previous fiscal year. The income from rentals of all kinds, the interest on land sales and on farm mortgages all show decreases; the total interest on bonds, warrants and bank deposits shows a substantial increase; but the net result is a decrease of income in the sum of $27,108.18.

The fees for grazing permits on timber lands are collected by the State Forester and by him paid over to the State Treasurer. The interest on bonds, warrants and bank deposits is paid directly to the State Treasurer; the other income is collected by this department.

TABLE NO. II

RECEIPTS FOR PERMANENT FUNDS FROM ALL SOURCES DURING FISCAL YEAR, JULY 1, 1932 TO JUNE 30, 1933

Institutions and Funds to Which the Receipts Belong	Rights of Way	Installments on Land Sales (Certificates of Purchase)	Timber Sales by State Forester	Oil and Gas Royalties	Coal, Sand & Gravel Royalties, Etc.	Total of These Initial Payments	Repayments on Mortgages	Repayments on Bonds	Repayments of Warrants	TOTALS
	$ 2,814.35)									
	1 37,206.68)		3 $ 166.75)						$547,566.99)	
Public Schools	2 949.40)	$ 51,686.64	656.57)	$ 33,701.30	$ 1,830.51	$129,012.20	$ 7,843.83	$359,575.28	24,367.01)	$1,068,365.31
State University	353.52	1,712.46				2,065.98		31,095.35	(42,385.20	75,54 3
Agri. Col. Morrill Grant		1,612.59				1,612.59		37,413.77	(37,951.11	70,977.47
Agri. Col. Second Grant		353.13	8,578.51			8,931.64		13,161.57	(28,567.56	50,660.77
School of Mines		1,188.38	22.63			1,211.01		43,359.06	(37,660.23	82,230.30
State Normal Schools	619.50	592.80	202.07			1,414.37		34,017.45		35,431.82
Deaf & Dumb Asylum		1,223.28	66.90			1,290.18		9,264.82		10,555.00
State Reform School		863.96	6.50			870.46		11,475.09		12,345.55
Capitol Buildings		131.11	18,981.19		50.00	19,162.30				19,162.30
Soldiers' Home		36.43				36.43		569.82		606.25
Mont. Trust & Legacy Fund							4 419.75	3,072.08		3,491.83
Veterans' Memorial Fund								1,379.64		1,379.64
O.H. & T.B. Society Fund		21.03				21.03				21.03
TOTALS	$41,943.45	$ 59,421.81	$ 28,681.12	$33,701.30	$ 1,880.51	$165,628.19	$ 8,263.58	$544,383.93	$718,498.10	$1,430,773.80

1. 5% of All Income During the 1932 Calendar Year. 2. 5% of Net Proceeds of U. S. Land Sales in Montana. 3. Collected in this Department for Wood and Small Timber Permits. 4. Old Funds transferred. 5. General Fund Warrants.

It should be clearly understood that no part of the receipts for the permanent funds can be expended for the maintenance of the public schools or state institutions; these receipts are constantly being added to the permanent funds themselves.

The grants for public buildings at the State Capitol differ from the other grants in this particular that both the income from the lands and the proceeds from their sale are available for building purposes; no permanent fund is contemplated. But as to all other land grants to our State made through the Enabling Act, the proceeds from their sale and other permanent disposition shall constitute permanent funds of which the income alone can be expended.

This purpose is fully carried out through the constitution and statutes of the state. When lands are sold, the proceeds go to the permanent funds. Timber, oil, gas and coal are considered as being part of the land itself and for this reason the proceeds from the sale and disposition thereof are added to the permanent funds.

The receipts for the Permanent funds, taking into account only "new money", called "initial payments" in the foregoing table, and not the repayments, decreased nearly $80,000.00 from the previous fiscal year. No land sales were held during the year; payments on installments on previous land sales were very light, as shown by the table; and the proceeds from timber sales and from oil and gas royalties slumped heavily.

Payments on timber sales and payments on bonds and warrants are made directly to the State Treasurer; the other collections for the permanent funds are made through this department.

TABLE NO. III

INVESTMENTS MADE DURING FISCAL YEAR ENDING JUNE 30, 1933

FUNDS INVESTED	State Bonds	County, City and Town Bonds	School District Bonds	State General Fund Warrants	State Millage Warrants Issued by Units of State Univ.	TOTALS
Public Schools Permanent Fund	$ 3,074,000.00	.....	$ 45,825.42	$ 947,545.25	$ 24,367.01	$4,091,737.68
State University Permanent Fund	.....	.....	325.00	.....	41,591.37	41,916.37
Agri. Col. Morrill Grant Permanent Fund	.....	.....	.....	.....	54,507.07	54,507.07
Agri. Col. Second Grant Permanent Fund	.....	.....	.....	.....	47,717.89	47,717.89
School of Mines Permanent Fund	.....	.....	.....	.....	58,646.83	58,646.83
State Normal Schools Permanent Fund	.....	.....	33,500.00	.....	.....	33,500.00
Deaf and Dumb Asylum Permanent Fund	.....	$ 2,500.00	5,000.00	.....	.....	7,500.00
State Reform School Permanent Fund	.....	.....	6,843.16	.....	.....	6,843.16
Capitol Buildings Permanent Fund	.....	.....	.....	.....	.....	.....
Soldiers' Home Permanent Fund	.....	.....	.....	.....	.....	.....
Montana Trust & Legacy Fund	.....	2,500.00	7,500.00	.....	.....	10,000.00
Veterans' Memorial Fund	.....	2,500.00	.....	.....	.....	2,500.00
Public School Interest and Income Fund	.....	.....	.....	331,607.51	.....	331,607.51
W. W. Dixon Endowment Fund	.....	.....	.....	.....	11,272.60	11,272.60
TOTALS	$ 3,074,000.00	$ 7,500.00	$ 98,993.58	$1,279,152.76	$ 238,102.77	$4,697,749.11

The investment in State of Montana funding bonds dated May 1, 1933, in the sum of $3,074,000.00, as shown in the foregoing table, was made through the exchange of the same amount of State General Fund Warrants held by the Public School Permanent Fund and was authorized by the State Board of Land Commissioners on May 3, 1933--Page 973 of the proceedings. These bonds draw interestat four per centum per annum payable semi-annually on January 1 and July 1 of each year. The bonds themselves are payable serially. The first installment falls due on January 1, 1941, and amounts to $128,500.00; the last installment falls due on January 1, 1953, and amounts to $73,500.00, the remainder falling due on intervening dates. For complete list of these bonds see Page 1023 of the proceedings of the State Board of Land Commissioners.

All investments by this department are made under the orders and general supervision of the State Board of Land Commissioners, and the proceedings for every bond issue purchased during the fiscal year had received the unqualified approval of the Attorney General before payment was made, in accordance with the statutes. Very few school houses or other public buildings were erected during the fiscal year and as a result comparatively few bonds were offered for sale. On account of the decreasing receipts for the permanent funds and for other reasons, this department would not have been able to purchase any large amounts.

The service of this department in connection with bond issues is not confined to the mere purchase of the bonds; that is a small part of the work involved. We usually help in the bonding proceedings from the very beginning to the delivery of the bonds and the actual payment of the money. We make a close study of bonding proceedings and have prepared numerous forms and blanks for the aid and guidance of school districts, towns, cities and counties issuing bonds.

The State has provided for its borrowers the amortization bond, which embodies the best repayment plan that modern finance has been able to devise. Part of the principal is repaid with each semi-annual interest payment; the total paid as interest and as installment on principal REMAINS THE SAME THROUGHOUT THE ENTIRE TERM of the bond, and when the last semi-annual installment is paid, the bond is repaid in full. The amortization plan also saves the taxpayers of the State huge sums in interest and vastly increases the safety of the investment.

Every dollar collected as interest from all these investments accrues to the benefit of the public schools and various State institutions; in this way it [illegible] to the [illegible] and takes the place of another dollar that otherwise would have to be raised through taxation.

TABLE NO. IV

PERMANENT ASSETS JUNE 30, 1933

Institutions & Funds To Which the Assets Belong	Value of Unsold Lands at $10 Per Acre	Deferred Payments on Land Sales (Certificates of Purchase)	SECURITIES: Farm Mortgage Loans	Federal Land Bank Bonds	State Bonds	County City, Town and School Dist. Bonds	State Millage Fund Warrants Issued by Units of State Univ.	Cash With State Treasurer	TOTALS
					$3,074,000.00				
Public Schools	$42,540,624.50	$4,950,667.57	$4,281,631.32	$ 989,300.00	312,908.75	$5,284,067.68	$.....	$123,156.21	$61,555,756.03
State University	173,698.30	63,092.48	.....	49,600.00	80,000.00	315,886.25	.....	42,330.45	724,607.4
Agri. Col. Morrill Grant	610,558.20	58,866.57	.....	.....	309,000.00	171,491.75	21,247.02	25,658.54	1,196,822.08
Agri. Col. Second Grant	389,683.20	24,355.59	.....	.....	.....	180,184.54	41,049.31	5,516.92	640,789.56
School of Mines	580,993.90	129,237.68	.....	.....	115,000.00	437,387.81	21,954.95	38,084.66	1,322,659.00
State Normal Schools	686,791.50	40,858.21	.....	.....	59,000.00	528,716.36	.....	10,728.82	1,326,094.89
Deaf and Dumb Asylum	369,672.60	17,715.67	.....	49,600.00	35,000.00	113,266.28	.....	5,348.51	590,603.06
State Reform School	369,992.50	10,514.98	.....	.....	5,400.00	185,350.97	.....	10,754.47	582,012.92
Capitol Buildings	1,232,364.40	109,921.46	.....	.....	.....	.....	.....	8,570.07	1,350,855.93
Soldiers Home	9,978.70	3,080.25	.....	.....	.....	3,567.25	.....	1,037.78	17,663.98
O. H. & T.B.Society Fund	650.00	1,339.87	.....	.....	.....	.....	.....	NONE	1,989.87
Veterans' Memorial Fund	.....	.....	.....	.....	.....	28,196.74	.....	3,419.54	31,616.28
Montana Trust & Legacy Fund	.....	.....	.....	.....	.....	124,710.43	.....	5,544.28	130,254.71
TOTALS	$46,964,407.80	$5,409,650.33	$4,281,631.32	$1,088,500.00	$3,990,308.75	$7,372,826.06	$ 84,251.28	$280,150.25	$69,471,725.79

The total book value of the permanent assets remains just about the same as one year ago, exceeding $69,000,000.00, as above shown. On account of the extended duration of the economic depression, the real value of State lands, outstanding sales contracts and State farm mortgages have unquestionably decreased heavily. The land holdings on June 30, 1933, aggregated more than 4,696,000acres, carried at the arbitrary average figure of $10.00 per acre. The State farm mortgages are carried at the amounts actually invested therein, and the State land contracts are carried at the aggregate amount of the unpaid balances. Hundreds of these contracts were hopelessly delinquent in payments on June 30, and were later on surrendered for cancellation. The resulting reduction in the book values of these assets will appear in the next fiscal year.

Additions to the permanent funds result from the sale of State lands at higher prices than $10.00 per acre, from the sale of timber, from coal, oil and gas royalties, and from the five per centum of the annual income for the Public School Income Fund which is added to the Permanent Fund.

The Federal Land Bank bonds draw interest at the rate of four per centum per annum, but were purchased at a small discount. The State bonds are of three different classes, namely: 1. $581,513.75 of Capitol Building bonds drawing interest at the rate of five per centum per annum and payable from the proceeds of the land grant for buildings at the State Capital; 2. State Educational bonds in the sum of $334,795.00, issued from 1924 to 1928 for buildings at the various State educational institutions and drawing interest at an average rate of about four and one-half per centum per annum; and 3. Funding bonds of May 1, 1933, in the sum of $3,074,000.00, drawing interest at the rate of four per centum per annum and payable serially.

The county, city, town and school district bonds aggregating $7,372,826.06, as shown, consist of thousands of individual bonds issued during the last twenty years, drawing interest at from four per centum to six per centum per annum. All of these bonds issued subsequent to February 28, 1923, are payable on the amortization plan or serially. Only a small percentage of these bonds are delinquent in installments.

The severe test of the last three or four years has demonstrated that high class bonds are safe investments for the trust funds of the State and yield a steadier income than other assets, suffering less from economic depressions. Securities of this nature should unquestionably be the ultimate form of nearly all the assets of this department.

TABLE NO. V

INCOME FROM ALL SOURCES DURING FISCAL YEAR JULY 1, 1933, TO JUNE 30, 1934

Institutions and Funds to Which the Income Belongs	Rentals on Agricultural and Grazing Leases	Grazing Fees Collected by State Forester	Rentals on Oil and Gas Leases	Interest on Land Sales (Certificates of Purchase)	Interest on Farm Mortgages	Interest on Bonds	Interest on Gen. Fund Warrants, Millage Warrants & Bank Deposits	Miscellaneous	Fees and Penalties	TOTALS
State General Fund									[7] $7,409.86; [8] $9,182.00	$ 16,591.86
Public Schools	$211,757.20	$ 4,310.50	$31,924.77	$ 84,124.81	*$100,600.00	$390,321.09	[1] $ 2,515.07; [2] 13,128.91	[3] $26,885.26; [4] 3,548.32		891,089
State University	710.88	37.00		954.41		21,726.34	(54.43)	[5] 15,919.39		25,748.44
Agri. Col. Morrill Grant	3,905.75			2,651.37		24,020.10	(2,319.81			32,766.91
Agri. Col. Second Grant	267.12	415.68		346.94		7,194.58	(2,189.69			9,702.46
School of Mines	1,065.93	259.41		922.05		29,338.71	(1,478.14			34,436.39
State Normal Schools	2,617.79	206.78		1,355.46		30,783.00	(2,165.37	[5] 84.92		35,608.43
Deaf and Dumb Asylum	1,745.15	175.58		316.79		10,700.35		[5] 45.40		12,943.87
State Reform School	1,047.59	247.14		416.34		9,850.23				12,165.58
Capitol Buildings	5,282.07	1,072.79		1,034.85				[5] 4.28		5,390.31
Soldiers' Home	9.35			44.94		213.95				268.24
Convalescent & Dependency Fund						6,841.08				6,841.08
Veterans' Memorial Fund						1,613.70	[2] 14.97	[6] 680.10		2,308.77
O.E. & F.B. Society Fund	5.00			66.99						71.99
Totals	$227,614.33	$ 6,724.94	$31,924.77	$ 92,234.95	$100,600.00	$538,609.13	$ 23,866.39	$47,167.67	$16,591.86	1,085,334.30

The red raised figures in the interest column and the miscellaneous column indicate the following: 1. Interest on State General Fund Warrants. 2. Interest on bank Deposits. 3. Income Tax--Chapter 181, Laws of 1933, and Chapter 40, Laws of Extra Session 1933-1934. 4. Inheritance Tax--Chapter 48, Laws of Extra Session 1933-1934 (15% of Total Tax). 5. Wheat Allotment Payments from the United States. 6. Boxing Match Receipts from Counties. 7. Fees. 8. Penalties for failure to fulfill drilling obligations under state oil and gas leases. *This includes $6,798.10 received from Wheat Allotment payments.

The foregoing statement shows all the actual income received by this Department during the fiscal year ending June 30, 1934. It indicates the various sources of this income, gives the amount received from each, and shows to what institutions and funds the income belongs. The figures given show the total gross income actually received without regard to subsequent refunds or deductions.

Refundments and other payments from the gross income during the fiscal year were as follows: Partial refundments of rentals on account of summer-fallow, $86.58; accrued but unearned interest on bonds purchased, $6,292.15; taxes paid on land under mortgage to the State, $15,174.97; other expenses in connection with mortgage lands, $669.75; miscellaneous, $9.25; total, $22,233.02.

Every dollar of the net income is used for the support and maintenance of the schools or institutions to which the income belongs, except that five per centum of the total income for the public schools is annually added to the permanent fund itself and becomes an inseparable and inviolable part thereof under the provisions of Section 5, Article XI of the Constitution. The annual apportionment of the Public School Interest and Income Fund is usually made during the month of March and distributes the net income for the preceding CALENDAR year.

The gross income shows an increase of $92,437.22 over the previous fiscal year. Of this increase $53,285.67 comes from new sources--income tax, inheritance tax and wheat allotment payments from the United States, leaving $39,151.55 as an increase from old sources.

TABLE NO. VI

RECEIPTS FOR PERMANENT FUNDS FROM ALL SOURCES DURING FISCAL YEAR, JULY 1, 1933, TO JUNE 30, 1934

Institutions and Funds to Which the Receipts Belong	Land Sales First Payments	Installments on Land Sales (Certificates of Purchase)	Timber Sales by State Forester	Oil and Gas Royalties	Coal, Sand & Gravel Royalties, etc.	Total of These Initial Payments	Repayments on Mortgages	Repayments on Bonds	Repayments of Millage Warrants	TOTALS
	1 $ 530.33									
	2 4,042.10									
	3 41,632.83		*$ 162.94							
Public Schools	4 603.84	$ 66,790.61	6,738.02	$ 44,289.94	$ 2,455.99	$167,246.60	$26,906.27	$347,428.82		$ 541,581.69
State University	2 30.00	1,376.89	1.00			1,407.89		23,211.10	$ 77,877.02	102,496.[illegible]
Agri. Col. Morrill Grant	2 182.50	4,754.31				4,936.81		11,237.80	93,548.43	109,723.04
Agri. Col. Second Grant	2 150.00	130.55	647.12			927.67		10,424.43	92,229.94	103,582.04
School of Mines		1,168.66	289.58			1,458.24		46,053.52	80,678.58	128,190.34
State Normal Schools	2 339.70	575.78	175.01			1,090.49		49,365.14		50,455.63
Deaf and Dumb Asylum		303.24	15,458.22			15,761.46		10,446.71		26,208.17
State Reform School		1,754.37	9.90			1,764.27		13,703.24		15,467.51
	1 (2,158.50									
Capitol Buildings	2 (152.85	1,179.15	13,657.16		50.00	17,197.66				17,197.66
Soldiers' Home		14.46				14.46		632.19		646.65
Mont. Trust & Legacy Fund								4,853.79		4,853.79
Veterans' Memorial Fund								1,678.47		1,678.47
C.H. & T.B.Society Fund		22.08				22.08				22.08
TOTALS	$ 49.822.65	$ 78,070.10	$ 37,138.95	$ 44,289.94	$ 2,505.99	$211,827.63	$26,906.27	$519,035.21	$344,333.97	$1,102,103.08

* Amount collected by this Department.

1. Land Sales, First Payment. 2. Rights of Way. 3. 5% of Income During 1933 Calendar Year. 4. 5% of U. S. Land Sales in Montana.

It should be clearly understood that no part of the receipts for the permanent funds can be expended for the maintenance of the Public schools or state institutions; these receipts are constantly being added to the permanent funds themselves.

The grants for public buildings at the State Capital differ from the other grants in this particular that both the income from the lands and the proceeds from their sale are available for building purposes; no permanent fund is contemplated. But as to all other land grants to our State made through the Enabling Act, the proceeds from their sale and other permanent disposition shall constitute permanent funds of which the income alone can be expended.

Timber, oil, gas and coal are considered as being parts of the land itself and for this reason the proceeds from the sale and disposition thereof are added to the permanent funds.

The receipts for the permanent funds, taking into account only "new money", called "initial payments" in the foregoing table, and not the repayments, show an increase of $46,199.44, or about 28 per centum over the preceding fiscal year. The receipts from every source show a substantial increase.

Payments on timber sales and payments on bonds and warrants are made directly to the State Treasurer; the other collections for the permanent funds are made through this department.

TABLE NO. VII

INVESTMENTS MADE DURING FISCAL YEAR JULY 1, 1933, TO JUNE 30, 1934

FUNDS INVESTED	County, City and Town Bonds	School District Bonds	State General Fund Warrants	Millage Warrants Issued by Units of the State University	TOTALS
Public Schools Permanent Fund	$ 155,604.40	$ 325,665.00	.....	.....	$ 481,269.40
State University Permanent Fund	.....	.....	.....	$ 77,877.02	77,877.02
Agri. Col. Morrill Grant Permanent Fund	.....	.....	.....	72,301.41	72,301.41
Agri. Col. Second Grant Permanent Fund	.....	.....	.....	51,180.63	51,180.63
School of Mines Permanent Fund	22,206.95	36,975.00	.....	58,723.63	117,905.58
State Normal Schools Permanent Fund	20,000.00	35,335.59	.....	.....	55,335.59
Deaf and Dumb Asylum Permanent Fund	.....	18,752.78	.....	.....	18,752.78
State Reform School Permanent Fund	12,100.00	13,300.00	.....	.....	25,400.00
Capitol Buildings Permanent Fund	.....	.....	.....	.....	.....
Soldiers' Home Permanent Fund	.....	1,200.00	.....	.....	1,200.00
Montana Trust and Legacy Fund	12,100.00	6,690.00	.....	.....	18,790.00
Veterans' Memorial Fund	.....	4,050.00	.....	.....	4,050.00
Public School Interest & Income Fund	.....	.....	$ 450,000.00	.....	450,000.00
. . Dixon Endowment Fund	.....	.....	.....	12,532.68	12,532.68
Ryman Library Fund	.....	.....	.....	1,796.75	1,796.75
Ryman Fellowship Fund	.....	.....	.....	1,852.50	1,852.50
TOTALS	$ 222,011.35	$ 441,968.37	$ 450,000.00	$ 276,264.62	$ 1,330,244.34

The . . Dixon Endowment Fund, the Ryman Library Fund and the Ryman Fellowship Fund are endowments belonging to the State University. They are not under the administration of this department, but have been invested through this department upon request of officers representing the State University.

All investments by this department are made under the orders and general supervision of the State Board of Land Commissioners. With the exception of bonds of the United States and state bonds, the bonds purchased are not paid for until they have received the full approval of the Attorney General as provided by statute. All the bonds purchased during the fiscal year were issued by counties, cities, towns and school districts, practically all of them new issues.

The regular session of the Legislative Assembly of 1933 enacted Chapter 160 authorizing school districts to issue funding bonds for warrants outstanding and unpaid on June 30, 1933. In numerous school districts it was necessary to issue such bonds in order to keep the schools going. This department purchased nearly all of these bonds, the total number of such issues being 105 aggregating $411,293.37. The bonds are issued as amortization or serial bonds and are repayable during a period not exceeding ten years. We believe that this is a particularly appropriate and meritorious investment of state school funds.

The service of this department in connection with bond issues is not confined to the mere purchase of the bonds; that is a small part of the work. We usually help in the bonding proceedings from the very beginning to the receipt of the bonds and the actual payment of the money. We make a close study of bonding proceedings and have prepared numerous forms and blanks for the aid and guidance of school districts, towns, cities and counties issuing bonds. The Attorney General devotes a great deal of painstaking work to the examination of the proceedings for bond issues purchased by this department.

The state has provided for its borrowers the amortization bond, which embodies the best repayment plan that modern finance has been able to devise. Part of the principal is repaid with each semi-annual interest payment; the total paid as interest and as installment on principal REMAINS THE SAME THROUGHOUT THE ENTIRE TERM of the bond, and when the last semi-annual installment is paid, the bond is repaid in full. The amortization plan also saves the taxpayers of the state huge sums in interest and vastly increases the safety of the investment.

Every dollar collected as interest from all these investments accrues to the benefit of the public schools and various state institutions; in this way it returns to the borrowers and takes the place of another dollar which otherwise would have to be raised through taxation.

TABLE NO. VIII

PERMANENT ASSETS JUNE 30, 1934

Institutions and Funds to Which the Assets Belong	Value of Unsold Lands at $10 Per Acre	Deferred Payments on Land Sales (Certificates of Purchase)	SECURITIES				Cash With State Treasurer	TOTALS
			Farm Mortgage Loans	Federal Land Bank Bonds	State Bonds	County, City, Town and School List. Bonds		
Public Schools	$44,039,007.10	$3,073,300.16	$4,270,562.27	$ 989,300.00	*$3,074,000.00	$5,419,617.20	$183,609.52	$61,360,602.00
State University	$ 186,478.00	45,539.31	.....	49,600.00	311,199.75	292,675.15	386,949.44	721,241.90
Agri. Col. Morrill Grant	622,558.20	45,541.15	.....	.....	80,000.00	160,253.95	63,080.17	1,200,433.47
Agri. Col. Second Grant	392,883.20	21,199.25	.....	.....	309,000.00	109,760.11	57,918.33	641,760.89
School of Mines	634,682.30	58,753.17	.....	.....	.....	450,510.24	48,309.42	1,307,321.13
State Normal Schools	689,591.50	35,547.82	.....	.....	115,000.00	534,686.81	5,848.30	1,324,674.99
Deaf and Dumb Asylum	369,672.60	17,412.43	.....	49,600.00	59,000.00	121,572.35	12,803.90	630,061.28
State Reform School	369,992.50	9,294.51	.....	.....	35,000.00	197,047.73	821.98	582,556.72
Capitol Buildings	1,278,022.40	83,066.75	.....	.....	5,400.00	.....	655.71	1,361,744.80
Soldiers' Home	10,567.10	2,219.35	.....	.....	.....	4,135.00	484.43	17,405.93
C. H. & T. B. Society Fund	650.00	1,317.79	.....	.....	.....	.....	5.00	1,972.79
Veterans' Memorial Fund	.....	.....	.....	.....	.....	30,568.27	2,765.87	33,334.14
Montana Trust and Legacy Fund	.....	.....	.....	.....	.....	138,646.64	5,710.99	144,363.63
TOTALS	$48,594,104.90	$3,393,197.69	$4,270,562.27	$ 1,088,500.00	$8,988,599.75	$7,519,479.57	$449,029.02	$69,303,473.89

* State of Montana Funding Bonds, dated May 1, 1933.

The book value of the permanent assets shows a decrease of more than $168,000.00 during the fiscal year, but this is less than one-fourth of one per centum. It arises solely through the cancellation of land sales contracts or "certificates of purchase". Land sales contracts are always carried on our books at the aggregate amount of unpaid balances. When such contracts are cancelled the lands concerned are restored to the unsold lands account and carried at the flat figure of $10.00 per acre. The difference between the unpaid balances on the sales contracts and $10.00 per acre will result in a decrease in book values. On account of crop failures and low prices on farm products, hundreds of contracts were surrendered for cancellation during the fiscal year and the lands taken under lease.

Additions to the permanent assets result from the sale of state lands at higher prices than $10.00 per acre, from the sale of timber, from coal, oil and gas royalties, and from the five per centum of the annual income for the Public School Income Fund which is added to the Permanent Fund.

The Federal Land Bank bonds draw interest at the rate of four per centum per annum, but were purchased at a small discount. The state bonds are of three different classes, namely: 1. Capitol Building bonds in the sum of $579,804.75, drawing interest at the rate of five per centum per annum and payable from the proceeds of the land grants for buildings at the State Capital; 2. State Educational bonds in the sum of $334,795.00 issued from 1924 to 1928 for buildings at the various state educational institutions and drawing interest at an average rate of about four and one-half per centum per annum; and 3. Funding bonds of May 1, 1933, in the sum of $3,074,000.00, drawing interest at the rate of four per centum per annum and payable serially.

The county, city, town and school district bonds aggregating $7,519,479.57 as above shown consist of thousands of individual bonds issued during the last twenty years and draw interest at from four to six per centum per annum. All of these bonds issued subsequent to February 28, 1923, are payable on the amortization plan or serially. A small percentage of these bonds are delinquent in installments, but nearly all these installments will be paid when normal economic conditions return.

The total amount of bonds on June 30, 1934, was $12,596,579.32, which is the largest in the history of this department and shows an increase of more than $1[illegible],000.00 during the fiscal year.

The [illegible] of the last four or five years has demonstrated that high class bonds are safe investments for the trust funds of the state and yield a steady [illegible] securities of this nature should unquestionably be the ultimate form of nearly all the assets of this department.

TABLE NO. IX

TOTAL GROSS INCOME OF THE DEPARTMENT, 1926-1934

CLASSIFIED AS TO SOURCE

Source	Year Ending June 30, 1926	Year Ending June 30, 1927	Year Ending June 30, 1928	Year Ending June 30, 1929	Year Ending June 30, 1930	Year Ending June 30, 1931	Year Ending June 30, 1932	Year Ending June 30, 1933	Year Ending June 30, 1934
Fees and Penalties	$ 12,479.64	$ 14,874.70	$ 12,560.53	$ 10,276.12	$ 21,589.26	$ 22,073.45	$ 15,175.12	$ 10,760.17	$ 16,591.86
Rentals on Agricultural and Grazing Leases	374,995.61	368,112.53	427,057.38	423,087.71	397,652.14	312,035.58	211,083.94	176,002.68	227,614.43
Rentals on Oil and Gas Leases	32,300.00	38,200.00	92,849.78	56,147.89	93,279.04	59,049.30	34,093.94	23,671.21	31,924.77
Interest on Land Sales (C. P.'s)	205,980.75	278,551.44	299,537.57	303,664.34	220,434.94	170,812.12	80,879.70	62,950.90	92,234.95
Interest on Farm Mortgages	220,040.87	178,083.80	263,436.78	244,809.59	172,155.48	110,247.29	58,508.50	57,620.48	100,600.06
Interest on Bonds	*408,652.12	402,052.45	439,062.66	467,181.11	559,243.76	513,383.41	483,201.62	464,699.11	538,609.13
Interest on State General Fund Warrants	.....	63,282.73	26,797.67	58,060.11	44,232.93	82,331.90	107,055.30	178,801.06	2,515.07
Interest on Bank Deposits	20,680.80	31,194.54	14,866.59	19,007.85	21,212.84	36,097.88	20,519.86	7,790.08	13,143.88
Miscellaneous Receipts	166.41	.....	.....	.....	.....	.....	.....	** 374.79	*** 47,167.67
Grazing Fees Collected by State Forester	1,545.00	29,457.01	7,316.82	6,344.87	7,164.24	8,333.68	6,487.18	8,516.91	6,724.94
Interest on University Millage Warrants	.....	.....	.....	.....	.....	.....	.....	1,708.99	8,207.44
TOTALS	$1,270,841.10	$1,403,869.20	$1,583,485.78	$1,588,579.59	$1,536,964.63	$1,314,364.67	$1,020,005.10	$ 992,896.98	$1,085,334.20

* Interest on Bonds and Warrants. ** Boxing match receipts from counties. *** This amount includes Income Tax, $36,885.26; Inheritance Tax, $3,548.32; Wheat Allotment Payments, $16,053.99; Boxing Match Receipts from Counties, $680.10.

The item of $29,457.01, given as grazing fees collected by the State Forester, collected during the year ending June 30, 1927, unquestionably contains other items than grazing fees. These fees are paid directly to the State Treasurer and it would be inconvenient to trace this item at the present time.

The interest on farm mortgages for the last fiscal year, in the amount of $100,600.06, includes $6,798.10 received from wheat allotment payments, making the total amount received as wheat allotment payments up to June 30, 1934, $22,852.09.

Observations on Table IX.

This table shows the gross income for the Public schools and all institutions and funds receiving income through this department.

The rise and fall of this income furnish a good index of the changing economic conditions during the last nine years. The changes in interest collections on land sales and farm mortgages are particularly significant. The table shows that the highest income was reached in 1929 with a total exceeding one million five hundred and eighty-eight thousand dollars; it reached the bottom in 1933, falling slightly below one million dollars. The income for the fiscal year ending June 30, 1934, shows a slight increase. After deducting the income from new sources, the increase is only about $39,000.00; but the increase is in reality more than these modest figures would indicate: In May, 1933, the State Board of Land Commissioners authorized the exchange of $3,074,000.00 of State General Fund Warrants, held as an investment for the Public School Permanent Fund, for State Funding bonds of May 1, 1933. This resulted in the payment of all the accrued interest on these warrants during the month of May. The total of such interest paid during that month exceeded $142,000.00. Some of that interest was earned during the preceding fiscal year, and some of it would not have been paid until the next fiscal year, if it were not for the bond issue.

It will be noted that the total interest collected on state general fund warrants during the fiscal year ending June 30, 1933, amounted to $178,801.66, while it was only about $2,500.00 for the last fiscal year. Part of this decrease in interest from warrants is offset by increased collections of bond interest.

It is worth noting that during the last fiscal year nearly one-half of the entire income consisted of interest on bonds. The total of all interest collections amounts to $755,310.53 or nearly seventy per centum of the entire income.

TABLE NO. X
TOTAL RECEIPTS FOR THE PERMANENT FUNDS, 1926-1934
(Not Including Repayments)

CLASSIFIED AS TO SOURCE

	Year Ending June 30, 1926	Year Ending June 30, 1927	Year Ending June 30, 1928	Year Ending June 30, 1929	Year Ending June 30, 1930	Year Ending June 30, 1931	Year Ending June 30, 1932	Year Ending June 30, 1933	Year Ending June 30, 1934
Land Sales, 1st Payment	$ 82,715.36*	$ 68,846.96*	$ 57,677.66*	$ 172,834.42*	$ 45,533.24	$ 1,986.00	$ 1,929.40	.....	$ 2,688.83
Rights of Way	.....	.....	.....	.....	6,663.92	8,897.84	9,120.50	3,787.37	4,897.15
5% of Total Annual Income for Public Schools	53,275.11	68,259.05	61,695.53	67,045.19	71,348.68	57,192.39	43,934.69	37,206.68	41,632.83
5% U. S. Land Sales in Montana	1,554.36	1,550.38	.....	572.78	842.39	1,310.29	1,059.26	949.40	603.84
Installments on Land Sales (C. P.'s)	237,641.66	242,204.12	267,674.41	254,165.00	238,622.59	138,077.60	75,952.45	59,421.81	78,070.10
Timber Sales by State Forester	135,855.92	69,118.33	83,393.37	75,951.59	65,145.68	32,294.83	49,654.64	28,681.12	37,138.95
Oil and Gas Royalties	185,189.46	313,997.30	155,689.97	138,806.57	150,471.53	61,477.33	61,331.76	33,701.30	44,289.94
Coal, Sand & Gravel Royalties, Etc.	2,254.64	1,334.51	2,549.45	2,033.90	1,810.23	1,652.41	2,555.00	1,880.51	2,505.99
Escheated Estates	.....	.....	75,000.00	.....	.....	.....	.....	.....	.....
Insurance Fees Collected by State Auditor	.....	.....	111.00	.....	.....	.....	.....	.....	.....
TOTALS	$ 698,486.51	$ 765,310.65	$ 703,791.39	$ 711,409.45	$ 580,438.26	$ 302,888.69	$ 245,537.70	$ 165,628.19	$ 211,827.63

* Includes payments for rights of way.

It should be noted that this table does not include repayments of any kind. It applies only to what we may term "new money". The repayment of large blocks of warrants and bonds are governed by such various circumstances that they do not furnish a good indication of economic conditions. For this reason payments of this kind are not included in Table No. X. For a complete statement of receipts for the permanent funds during the two last fiscal years see Table No. II and Table No. VI.

The figures of Table No. X furnish the same indications of economic changes as Table No. IX dealing with the income. With the exception of oil and gas royalties, the total receipts of "new money" for the permanent funds reached the summit in 1929; descended to the lowest level in 1933, and show substantial increase for the fiscal year ending June 30, 1934.

TABLE NO. XI

COMPARISON OF PERMANENT ASSETS -- 1926-1934

Kind of Asset	Year Ending June 30, 1926	Year Ending June 30, 1927	Year Ending June 30, 1928	Year Ending June 30, 1929	Year Ending June 30, 1930	Year Ending June 30, 1931	Year Ending June 30, 1932	Year Ending June 30, 1933	Year Ending June 30, 1934
Value of Unsold Lands at $10.00 per acre	$46,646,247.00	$46,812,466.90	$46,933,199.00	$45,810,300.10	$45,749,730.20	$46,148,948.35	$46,835,047.60	$46,964,407.80	$48,594,104.90
Deferred Payments on Land Sales (C. P.'s)	7,014,475.57	6,530,810.83	6,212,092.31	7,345,414.75	7,242,104.89	6,530,273.79	5,621,911.90	5,409,650.33	3,393,197.69
Farm Mortgage Loans	4,549,039.77	4,529,084.23	4,433,894.77	4,342,179.76	4,301,561.94	4,270,942.18	4,273,807.84	4,281,631.32	4,270,562.27
U. S. Securities and Federal Land Bank Bonds	1,540,000.00	2,536,000.00	3,031,000.00	3,031,000.00	2,031,000.00	1,088,500.00	1,088,500.00	1,088,500.00	1,088,500.00
State Bonds	.....	.....	965,907.75	940,213.75	925,047.50	925,047.50	917,951.25	3,990,308.75	3,988,599.75
County, City, Town and School District Bonds	*5,965,577.10	*5,306,037.94	5,073,526.61	6,081,155.18	6,476,811.88	7,026,216.25	7,809,073.91	7,372,826.00	7,519,479.57
State General Fund Warrants	910,583.34	**944,718.37	1,068,320.57	981,812.53	1,624,699.20	2,172,115.85	2,592,306.73		
							*** 28,352.22	*** 84,251.28	
Cash with State Treasurer	729,307.94	1,094,123.90	508,843.79	370,797.03	1,014,229.88	606,015.09	233,972.17	280,150.25	449,029.02
TOTALS	$67,301,230.78	$67,753,242.17	$68,226,785.40	$68,902,873.10	$69,367,185.55	$69,368,059.01	$69,400,923.08	$69,471,725.79	$69,303,473.80

* Includes State Bonds.
** Includes $6,908.42 in County Warrants.
*** State Millage Fund Warrants Issued by Units of State University.

General Observations on Table XI.

It will be noted that there have not been any violent fluctuations in the figures representing the permanent assets. Approximately seventy per centum of the total permanent assets is represented by unsold lands, and these lands have been carried at the uniform price of $10.00 per acre from year to year. Land sales contracts and farm mortgages are carried at the exact amount of the unpaid balances; bonds and other investments are carried at their full face value. All the same, the table reflects in a general way the changing economic conditions. There was a rapid increase in assets up to 1930; and they are slightly lower at the present time. It is encouraging to note that the total assets increased nearly two million dollars from June 30, 1926 to June 30, 1934. It is even more encouraging that this increase in total assets has been accompanied with a general shift toward bond investments. On June 30, 1926, the total amount invested in bonds and state general fund warrants was $8,422,160.50; on June 30, 1934, the total investment in bonds was $12,896,579.32 -- an increase substantially above four million dollars.

RISE AND FALL IN ASSETS

Although the lands have been carried at the uniform price of $10.00 per acre throughout all the years covered by the table, this account shows an increase of nearly two million dollars. This increase is largely due to the heavy cancellations of land sales contracts. When such contracts are cancelled, the lands are restored to the unsold lands class. These cancellations result, however, in correspondingly heavier losses in the account of deferred payments on land sales, as they were carried in that account at the full amount of the unpaid balances which usually far exceeds $10.00 per acre.

These extensive cancellations of purchase contracts will largely account for the heavy decrease in this class of assets during the nine year period covered by the table. The remainder of the decrease in this account is due to actual payments made on the contracts.

While the cancellation of certificates results in a net decrease in the total assets, the sale of state lands at a higher price than $10.00 per acre will result in a net increase in the total assets as carried on our records.

The receipts from timber sales and from oil, gas and coal royalties are constantly added to the permanent funds without a corresponding reduction from the value of the lands from which they are taken; the lands are still carried at $10.00 per acre. These items are a constant source of increase in the funds. It so happens that up to this time no oil in commercial quantities has been discovered outside of lands belonging to the Public Schools; hence only the Public School Permanent Fund has so far benefited from oil royalties. But if oil in commercial quantities is discovered in any other lands, the institutions and funds to which they belong will receive the full benefit.

See Tables II, VI and X for detailed information on receipts from these sources.

SPECIAL SOURCE OF INCREASE FOR THE PUBLIC SCHOOL PERMANENT FUND

An amendment to Section 5 of Article XI of the State Constitution, of which amendment the present commissioner is the author, is a source of

stantial additions to the Public School Permanent Fund. This amendment was passed by the State Legislature in 1919, approved by the vote of the people at the election in November, 1920, and became effective as part of the constitution under the Governor's proclamation of December 6, 1920. This amendment provides among other things that five per centum of the total income for the Public School Funds shall annually be added to the permanent fund itself and "become and forever remain an inseparable and inviolable part thereof".

The additions that have been made to the Public School Permanent Fund under this amendment are as follows:

March 1921	7,442.22
March 1922	41,253.83
March 1923	49,314.52
March 1924	46,967.18
March 1925	43,063.93
March 1926	53,275.11
Feb. 1927	68,259.05
Feb. 1928	61,695.53
April 1929	67,045.19
March 1930	71,348.66
April 1931	57,192.39
April 1932	43,934.69
March 1933	37,206.68
Feb. 1934	41,632.83
Total	689,631.83

As this addition is a certain percentage of the total income per year, the annual addition will increase as the income itself increases. It will thus be seen that it is an important source in the perpetual growth of the Public School Permanent Fund.

THE VARIOUS CLASSES OF PERMANENT ASSETS -- EXAMINATION OF VALUES

(Total of all Assets June 30, 1934, $69,303,473.80. See Table VIII and Table XI.)

1. Unsold Lands
($48,594,104.90)

Up to May 7, 1932, the minimum sales price on state lands under the Enabling Act was $10.00 per acre. On that date the President of the United States signed an act of Congress fixing the price of $5.00 per acre as the minimum sales price on lands principally valuable for grazing purposes. The minimum sales price on agricultural lands was retained at the original figure of $10.00 per acre. Notwithstanding this change in the Enabling Act, we have continued to carry the state's unsold lands at the average price of $10.00 per acre. As these lands at the present time constitute approximately seventy per centum of the total permanent assets, it is of interest to endeavor to ascertain if they are really worth this average price of $10.00 per acre.

The average sales price on all state lands so far sold is approximately $15.50 per acre; but no doubt the more valuable lands were sold first. The change in the Enabling Act permitting grazing lands to be sold at $5.00 per acre will no doubt result in the sale of considerable areas of this class of land and this will bring down the average.

The proceeds from timber sales and the royalties on coal, oil and gas and on other minerals will to some extent offset the decreased average price on agricultural and grazing lands which may be expected in the future.

For detailed information in regard to the distribution of the unsold lands throughout the fifty-six counties of the state, please turn to Table XII, appear- on pages 33, 34 and 35.

2. Deferred Payments on Land Sales
(Certificates of Purchase)
($3,393,197.69)

This class of assets is carried at the exact amount from time to time unpaid on the sales contracts, or certificates of purchase as they are usually called, not considering accrued interest. Our State lands have at all times been sold on some kind of a deferred payment plan, except in the few cases where the purchaser has made full payment at the time of sale. Under present statutes, the purchaser is only required to pay about ten per centum at the time of sale. The balance of the purchase price draws interest at the rate of five per centum per annum and is payable on the amortization plan through a period of thirty-three years. The annual interest added to the annual installment on principal comes to six and one-quarter per centum of the sales price after deducting the payment made at the time of sale. This will pay the entire purchase price during the thirty-three year period. The deferred payment plan results in a far greater number of sales, but it also results in default in payments in a great number of cases bringing about cancellation of the contracts. However, the present amortization plan of payment is very helpful to the purchaser and considered in all its bearings it is not far from ideal. It would probably be better to have the payments made semi-annually.

On account of the continuation of the deplorable economic conditions during the last two years, a great number of purchase contracts have been cancelled. Usually the purchasers have surrendered their contracts for cancellation and have taken the land under lease. The following tabulations give full information in regard to the cancellation of certificates during the two year period covered by this report:

Certificates of Purchase Cancelled
July 1, 1932, to June 30, 1933

Kind of Certificate	Number	Acreage	Balance of Principal Unpaid
20 Year Certificates	6	1,120.00	7,194.40
Converted Amortization Certificates	212	42,822.72	533,522.46
New 33 Year Amortization Certificates	228	46,669.31	600,166.19
Totals	446	90,612.03	$1,140,883.05

The final approval of the cancellation of these certificates was given by the State Board of Land Commissioners on January 30, 1933, page 960 of proceedings and on October 3, 1933, pages 1004-1005 of proceedings.

Certificates of Purchase Cancelled
July 1, 1933, to June 30, 1934

Kind of Certificate	Number	Acreage	Balance of Principal Unpaid
20 Year Certificates	11	2,587.00	11,788.90
Converted Amortization Certificates	233	44,416.28	486,447.62
New 33 Year Amortization Certificates	197	40,889.43	494,637.90
Totals	441	87,893.61	$992,874.42

The final approval of the cancellation of these certificates was given by the State Board of Land Commissioners on December 28, 1933, pages 1015-1016 of proceedings, and on September 12, 1934, pages 1086-1089, both inclusive, of proceedings.

Consolidated Statement of Certificates Cancelled for the
Two Year Period

Kind of Certificate	Number	Acreage	Balance of Principal Unpaid
20 Year Certificates	17	3,707.00	[illegible]
Converted Amortization Certificates	445	[illegible]	1,019,[illegible]
New 33 Year Amortization Certificates	425	[illegible]	1,094,[illegible]
Totals	887	[illegible]	$[illegible]

Persons not acquainted with the long term payment plan for state lands might easily reach the erroneous conclusion that the cancellation of nearly 900 purchase contracts embracing approximately 178,000 acres of land would involve great losses to the purchasers; but this is not necessarily the case. It should be taken into account that under present statutes the cash payment on state lands required at the time of sale is only ten per centum of the purchase price and that the remainder is payable on the amortization plan through a thirty-three year period. The use of the land for several years without payments will offset the payments made whether we figure interest on the purchase price or figure rent for the land, which should amount to the same.

Of the 887 certificates cancelled during the two year period, 425 were originally issued as thirty-three year amortization certificates; and 445 had been converted into thirty-three year amortization certificates or contracts. Only seventeen of the certificates cancelled were twenty-year contracts. It is probable that on the average the payments made did not represent more than interest on the purchase price.

Extreme care was exercised in the cancellation of these certificates of purchase. The holders were given ample opportunity to decide what course would be more advantageous to themselves before cancellation was made. With comparatively few exceptions, the certificates were surrendered for cancellation by the holders and leases taken on the land. The exceptions consist of cases where the people had moved away from the state and had entirely abandoned the land or where they failed to make any response whatever to the notices and letters sent them.

3. Farm Mortgage Loans
($4,270,562.27)

It is not likely that the state will ever be able to collect the full amount invested in these loans; considerable losses will no doubt be suffered. The decrease in these investments during the two year period is only a little above $3,000.00. But as it represents investments from the Public School Permanent Fund which is guaranteed by the Constitution against diversion or loss, the state itself must ultimately make good any losses resulting to this fund. See Table No. XIII and the notes following for detailed information in regard to this class of assets. A plan for the repayment of the money invested in these loans to the Public School Permanent Fund has been suggested in three previous reports of this department and is repeated in this report. See page 76 .

4. Bonds and State Warrants

Federal Land Bank Bonds	$ 1,088,500.00
State Bonds	3,988,599.75
County, City, Town and School District Bonds	7,519,479.57
Total	$12,596,579.32

The Federal Land Bank Bonds and the bonds of the State of Montana are as safe as the Government of the United States and the State of Montana.

All bonds now being purchased by this department and issued by the political subdivisions of the state are payable on the amortization plan or on the serial plan, and this circumstance vastly improves the safety of the investment as the bonds are repaid in semi-annual installments throughout the term for which they were issued.

Considering the millions invested, the total of all delinquencies on July 1, 1934, was very small and no great losses are anticipated.

5. Cash Balances
($449,029.62)

The cash balances in the various permanent funds aggregating $449,029.62 are in the custody of the State Treasurer and are deposited in the various depositaries designated for the deposit of other state funds. These permanent funds so deposited are protected against loss through surety company bonds or by the deposit with the State Treasurer of various securities prescribed by law in the same manner and to the same extent as other funds in his custody.

All cash balances belonging to the various income funds are likewise in the custody of the State Treasurer and enjoy the same protection against loss as the permanent funds.

Additional Information In Regard to State Bonds Held
by This Department

On account of the large investments made by this department in various kinds of bonds issued by the State of Montana, it appears appropriate to give some additional information in regard to these bonds showing when and for what purpose they were issued, the rate of interest they bear, the time when they become due, the provisions made for their repayment and so forth. For the sake of greater clarity, these bonds will be discussed in the order in which they were issued as follows: (a) Capitol Building Bonds, (b) Educational Bonds and (c) Funding Bonds.

(A) CAPITOL BUILDING BONDS HELD BY THIS DEPARTMENT ON JUNE 30, 1934

Series	Amount	Total Balance of Each Issue	Held by What Fund or Institution	Date of Issue	When Due	Interest
2nd Issue	$ 35,000.00		Public School Permanent Fund	5-1-09	5-1-39	5%
" "	53,000.00		State University	"	"	5%
" "	166,000.00		Agricultural College Morrill Grant	"	"	5%
" "	90,000.00		School of Mines	"	"	5%
" "	39,000.00		State Normal Schools	"	"	5%
" "	35,000.00		Deaf and Dumb Asylum	"	"	5%
		$418,000.00				
3rd Issue	7,000.00		State University	10-1-11	10-1-41	5%
" "	88,000.00		Agricultural College Morrill Grant	"	"	5%
" "	5,000.00		School of Mines	"	"	5%
		100,000.00				
Cap.Annex		50,000.00	Public School Permanent Fund	5-1-19	5-1-49	5%
5th Issue		11,804.75	Public School Permanent Fund	4-1-25	4-1-40	4%
Total Unpaid Balances On June 30, 1934		$579,804.75				

RECAPITULATION

Series	Purpose	Date of Issue	Total Amount of Issue	Amount Now Unpaid
1st Issue	Erection of Original Capitol	7-1-98	$ 350,000.00	None
2nd "	Building of Two Wings	5-1-09	500,000.00	$ 418,000.00
3rd "	Completion of Wings	10-1-11	150,000.00	100,000.00
Cap.Annex	Board of Health Building	5-1-19	50,000.00	50,000.00
5th Issue	Building of Vault	4-1-25	25,000.00	11,804.75
Totals			$1,075,000.00	$ 579,804.75

All outstanding Capitol Building Bonds amounting to $579,804.75 are held by this Department.

Payments on interest and principal are made exclusively from the proceeds of the Land Grant for buildings at the State Capital. These bonds are not a direct obligation of the State; but under the various acts authorizing their issue they constitute liens on all proceeds from the sale and other disposition of the lands granted by the Enabling Act for the erection of buildings at the Capital of the State originally aggregating 182,000 acres. The total value of the Capitol Building grant at the present time is carried on our records at $1,361,744.86, as shown by Table No. VIII. But these assets can be converted into cash only as demand arises for the purchase of the land or its timber and other resources.

The foregoing summary shows that the first Capitol Building Bonds were issued thirty-six years ago, and that the total amount of all Capitol Building Bonds issued is $1,075,000.00; that of this amount only $495,195.25 on the principal has been repaid during the thirty-six year period, and that nearly $580,000.00 remains unpaid.

The entire balance of the second issue in the sum of $418,000.00 becomes due on May 1, 1939. During the last seven years, the total receipts from the land grants has averaged $34,578.50 and the total annual interest requirements on the balance now unpaid is nearly $29,000.00. Last year the total receipts were only $22,587.97.

HISTORY OF CAPITOL BUILDING BONDS

The first Issue of Capitol Building Bonds has been paid in full. This issue was authorized by Senate Bill No. 72 enacted into law by the Legislative Assembly of 1897, approved March 4, 1897, and issued for the "purpose of erecting a building to be known as the State Capitol Building to be located in the City of Helena". The total amount of the issue was $350,000.00, consisting of three hundred and fifty bonds of $1,000.00 each, dated July 1, 1898, due in thirty years, redeemable in fifteen years and drawing interest at the rate of six per centum per annum, payable semi-annually.

The report of the Capitol Commission shows that great difficulties were encountered in attempting to sell this bond issue, but the entire issue of $350,000.00

was finally sold to Thomas Cruse of Helena, at full face value, which was paid in cash. The cancelled bonds in the office of the state auditor show that a considerable block of the bonds were paid long before the final due date.

The Second Issue of Capitol Building Bonds was authorized by Chapter 63 of the Laws of 1909, Sections 5554 to 5570 of the Revised Codes of 1921, and the purpose of the issue was to obtain funds for building two wings on the Capitol Building. The total issue was $500,000.00, consisting of five hundred bonds of $1,000.00 each, dated May 1, 1909, due in thirty years, redeemable in fifteen years and drawing interest at the rate of five per centum per annum, payable semi-annually.

The Third Issue of Capitol Building Bonds was authorized by Chapter 2 of the Laws of the Extra Session of 1909 approved December 30, 1909, and the purpose of the issue was to obtain additional funds for completing the two wings on the Capitol Building. The total issue was $150,000.00, consisting of one hundred and fifty bonds of $1,000.00 each, dated October 1, 1911, due in thirty years, redeemable in fifteen years and drawing interest at the rate of five per centum per annum, payable semi-annually.

The said Chapter 2 of the Laws of 1909 does not appear to be incorporated in the Revised Codes of 1921, but a specific reference to the act is made in Section 5570 of the said codes.

The Capitol Annex issue was authorized by Chapter 194 of the Laws of 1919, Section 5590 to 5605, and the purpose of the issue was to obtain funds for "erecting an annex to the State Capitol Building on the State Capitol grounds..... for use as a laboratory and office for the State Board of Health". The total issue was $50,000.00, consisting of fifty bonds of $1,000.00 each, dated May 1,1919, due in thirty years, redeemable in fifteen years and drawing interest at the rate of five per centum per annum, payable semiannually.

The Fifth Issue (vault bonds) was authorized by Chapter 26 of the Laws of 1925, to obtain funds "for the purpose of constructing a permanent fire-proof and burglar proof vault for use in connection with the office of the state treasurer". The total issue was $25,000.00, consisting of twenty-five bonds of $1,000.00 each, dated April 1, 1925, drawing interest at the rate of four per centum per annum, both principal and interest to be payable semi-annually on the amortization plan through a period of fifteen years from the date of issue.

(In addition to the foregoing bond issues, some appropriations from the State General Fund have also been made for the erection of the State Capitol, for improvement of the grounds and for equipment. Through House Bill No. 174 enacted into law by the Legislative Assembly of 1901, a total of $119,165.26 was appropriated for the Capitol Building and grounds and $60,000.00 for equipment. There may have been other appropriations from the General Fund.)

(B) STATE EDUCATIONAL BONDS

Held by What Fund or Institution	Amount	Series	Date of Issue	When Due	Interest
Public School Permanent	$118,000.00	"G"	1-1-24	1-1-24	4 3/4%
" " "	50,000.00	"H"	7-1-25	7-1-45	4%
" " "	36,395.00	"K"	7-1-26	7-1-46	4%
" " "	10,000.00	"L"	7-1-26	7-1-46	4%
State University	20,000.00	"G"	1-1-24	1-1-44	4 3/4%
Agricultural College-Morrill	10,000.00	"G"	1-1-24	1-1-44	4 3/4%
" " "	45,000.00	"M"	1-1-27	1-1-47	3 3/4%
School of Mines	20,000.00	"G"	1-1-24	1-1-44	4 3/4%
State Normal Schools	20,000.00	"G"	1-1-24	1-1-44	4 3/4%
State Reform School	3,300.00	"N"	1-1-28	1-1-48	4 1/2%
" " "	2,100.00	"O"	1-1-28	1-1-48	4 1/2%
TOTAL	$334,795.00				

Through Initiative Measure No. 19 enacted into law at the general election held November 2, 1920, the people of this state authorized the issue of bonds in the total sum of $5,000,000.00 in excess of the constitutional limitation of indebtedness and in addition to the bonds then outstanding, the money derived from the bonds "to be used for the purpose of constructing, repairing and equipping necessary buildings at the several education institutions of the State of Montana.....". The total amount authorized was issued in installments through a period of about seven years, each installment falling due twenty years from the date of issue.

Section 7 of this initiative measure provides for the annual levy of ten-twelfths of one mill on each dollar of the assessed valuation upon all property in the state subject to taxation for the payment of interest and principal of the bonds as the same become due.

On June 30, 1934, the total amount of the bonds outstanding had been reduced to $3,475,000.00 of which this department held $334,795.00 as shown by the foregoing tabulation.

Chapter 23 of the Laws of 1931 authorizes the State Board of Examiners to issue and sell refunding bonds in an aggregate amount not exceeding $1,600,000.00 to pay and redeem an equal amount of series "A" and "B" of the said educational bonds, the purpose being to obtain a lower rate of interest.

In May, 1934, the State Board of Examiners commenced proceedings for the issue and sale of refunding bonds authorized by the said Chapter 23 in the sum of $1,200,000.00. The bonds were not actually issued until July 1, 1934, and the interest rate obtained was only four per centum per annum.

The purchasers of the refunding bonds maintained that the said tax of ten-twelfths of one mill provided for the payment of interest and principal of the original bond issue was intended to be levied and calculated on the full assessed valuation and not on the percentage valuation upon which other taxes are computed. The refunding bonds were to be paid from the proceeds of this levy of ten-twelfths of one mill and the successful bidders for the refunding bonds made their bid

contingent upon a decision holding that this tax levy applied to the full assessed valuation and not to the percentage valuation. The question found its way into the Supreme Court through the case of State ex rel. E. S. Judd, Relator, vs. State Board of Examiners, Respondents. In an unanimous opinion handed down by the court on May 18, 1934, the court held that the said tax of ten-twelfths of one mill is to be levied on the full assessed valuation of the taxable property of the state. This decision will have the effect of more than trebling the proceeds from this tax and should have the effect of retiring all the remaining educational bonds, including the refunding bonds, in less than six years.

It appears therefore that the investments of this department in the educational bonds of the State of Montana are highly secure both with regard to the payment of interest and the repayment of principal.

(C) STATE FUNDING BONDS
($3,074,000.00)

Chapter 10 of the laws of the regular session of the Legislative Assembly of 1933 authorized the issuance of bonds of the State of Montana in a sum not exceeding $4,500,000.00 to fund the indebtedness of the state represented by general fund warrants. The total amount actually issued was $4,237,000.00 drawing interest at the rate of four per centum per annum, payable semi-annually, and the bonds themselves are payable serially, beginning with January 1, 1936, and terminating with January 1, 1953.

Section 3 of the said Chapter 10 sets asile and appropriates the amount of all license taxes during each year which are required to be paid into the general fund, except gasoline taxes, for the payment of interest and principal on these bonds. If these license taxes are more than sufficient, the balance will be available for other purposes. If for any reason these license taxes should at any time be insufficient to meet the required payments, provision is made for the levy of a sufficient tax upon the taxable property of the state, which tax is to be computed on the percentage value of the property.

This is probably the first bond issue by the State of Montana that is payable strictly on the serial plan; and the provisions made for the payment of interest and principal are unquestionably fully adequate.

At a meeting held on May 3, 1933, the State Board of Land Commissioners authorized the exchange of $3,074,000.00 in state general fund warrants then held as an investment for the Public School Permanent Fund for the same amount of funding bonds. In view of the ample provisions made for the payment of interest and the repayment of the principal of these bonds, this investment is particularly safe.

Reference to this investment is made under Table III and under Table IV of this report.

TABLE NO. XII

LANDS UNSOLD IN EACH GRANT JUNE 30, 1934

Public School	State University	Agri. College Morrill Grant (90,000 Acres)	Agri. College Second Grant (50,000 Acres)	School of Mines	State Normal Schools	Deaf and Dumb Asylum	State Reform School	Public Buildings	TOTALS
Acres	Acres	Acres	Acres	Acres	Acres	Acres	Acres	Acres	Acres
175,910.38	.....	10,360.31	.....	7,169.08	16,825.39	6,240.00	5,960.00	11,733.05	234,198.21
89,066.72	.....	.....	.....	.....	.....	.....	.....	.....	89,066.72
168,911.36	.....	785.06	.....	1,000.49	1,031.47	.....	40.00	.....	171,768.38
19,197.84	320.00	.....	.....	.....	.....	.....	.....	8,900.12	28,417.96
37,532.83	.....	3,573.57	.....	.....	.....	.....	3,248.81	.....	44,355.21
139,229.84	.....	.....	.....	228.37	27.75	.....	141.06	440.00	140,067.02
72,381.54	214.29	760.00	.....	4,909.01	482.36	.....	2,113.42	480.00	81,340.62
225,466.58	.....	9,860.62	.....	14,473.11	10,652.21	.....	895.59	2,165.92	263,514.03
124,850.43	480.00	.....	.....	.....	.....	.....	.....	.....	125,330.43
234,019.28	.....	.....	.....	.....	.....	.....	.....	.....	234,019.28
71,237.39	.....	.....	.....	.....	.....	.....	.....	480.00	71,717.39
8,404.27	.....	.....	.....	.....	.....	.....	.....	.....	8,404.27
52,482.96	.....	.....	.....	.....	.....	.....	.....	.....	52,482.96
144,537.56	2,240.00	.....	.....	.....	.....	.....	.....	.....	146,777.56
72,925.69	.....	3,428.05	13,097.53	9,663.32	9,733.90	5,381.67	2,577.31	20,237.68	137,045.15
28,673.94	1,753.24	.....	495.47	4,833.39	1,940.12	2,574.86	642.32	7,344.00	48,257.34
160,903.05	.....	.....	.....	.....	.....	.....	.....	.....	160,903.05
14,119.66	.....	.....	.....	.....	.....	.....	.....	208.93	14,328.59
43,651.84	3,957.65	.....	.....	.....	.....	.....	.....	.....	47,609.49
19,235.48	.....	.....	.....	.....	.....	.....	.....	.....	19,235.48
124,930.32	.....	.....	.....	.....	557.97	.....	40.00	.....	125,528.29
24,649.86	360.00	.....	3,190.94	.....	.....	2,520.00	758.68	.....	31,479.48
85,748.11	.....	880.00	.....	2,949.13	.....	.....	.....	.....	89,577.24
65,998.13	320.84	.....	320.00	1,220.20	1,000.07	1,078.09	.....	157.35	70,094.68
100,988.40	480.00	7,977.81	880.00	4,603.63	1,366.01	2,280.00	1,000.00	8,723.76	128,294.61
94,008.03	.....	.....	.....	.....	.....	.....	.....	143.00	94,151.03
48,844.96	.....	.....	.....	480.00	.....	.....	.....	11,157.32	60,482.28
89,145.70	.....	.....	.....	.....	.....	.....	.....	.....	89,145.70
81,700.44	640.00	960.00	12,818.48	4,071.04	15,983.07	3,191.65	4,169.90	10,268.09	133,862.67
57,142.55	.....	14,562.93	.....	.....	.....	7,892.95	7,709.32	.....	87,307.75

TABLE NO. XII (Continued)

LANTS UNSOLD IN EACH GRANT JUNE 30, 1934

Public School	State University	Agri. College Morrill Grant (90,000 Acres)	Agri. College Second Grant (50,000 Acres)	School of Mines	State Normal Schools	Deaf and Dumb Asylum	State Reform School	Public Buildings	TOTALS
Acres	Acres	Acres	Acres	Acres	Acres	Acres	Acres	Acres	Acres
6,706.52	...	...	2,460.12	...	4,141.41	...	...	8,077.65	21,385.70
35,544.71	1,760.00	2,137.15	6,025.78	...	315.49	...	4,933,55	10,794.50	61,511.18
60,425.58	...	...	...	...	...	...	...	...	60,425.58
35,645.16	880.00	...	...	...	...	...	...	...	36,525.16
61,948.11	1,272.37	...	...	...	...	...	...	...	63,220.48
176,604.21	...	840.00	...	...	...	...	...	...	177,444.21
56,591.42	...	280.00	...	...	...	...	...	150.00	57,021.42
135,893.99	...	480.00	...	...	695.10	...	...	...	137,069.09
56,760.44	155.67	160.00	...	...	...	...	160.00	1,600.00	58,836.11
58,407.44	...	...	...	...	...	...	...	...	58,407.44
17,095.31	...	1,183.49	...	3,200.00	37.08	...	...	5,274.35	26,790.23
68,826.16	...	...	...	...	...	...	...	...	68,826.16
15,610.00	...	...	...	...	...	...	...	760.00	16,370.00
166,432.04	2,213.74	...	...	...	...	...	...	...	168,645.78
36,841.01	...	...	...	...	...	2,130.90	...	12,811.15	51,783.06
30,248.30	...	...	...	...	...	...	...	...	30,248.30
12,034.59	...	...	...	...	...	...	...	...	12,034.59
47,096.30	...	...	...	...	...	...	...	...	47,096.30
50,047.43	...	1,280.00	...	...	...	...	...	...	51,327.43
90,004.88	...	2,666.83	...	4,627.46	3,049.75	...	240.00	200.00	100,788.92
108,332.92	...	...	...	40.00	...	...	...	5,695.37	114,068.29
33,693.95	480.00	...	...	...	...	...	...	...	34,173.95
202,844.20	...	...	...	...	...	...	...	...	202,844.20
58,650.35	1,120.00	80.00	...	...	1,120.00	3,677.14	2,369.29	...	67,016.78
28,008.74	...	...	...	...	...	...	...	...	28,008.74
77,330.81	...	...	...	...	...	...	...	...	77,330.81
4,403,580.71	18,647.80	62,255.82	39,288.32	63,468.23	68,959.15	36,967.26	36,999.25	127,802.24	4,857,968.78

TABLE NO. XII (Continued)

LANDS UNSOLD IN EACH GRANT JUNE 30, 1934

Home Grant	1,056.71	
ontana Normal and Manual Training School	2,000.00	
amp" now used as Agricultural Experiment Station, Part of former Fort Ellis Military Reservation	640.00	
ous parcels, belonging to the State	267.68	
ome and Tuberculosis Sanitarium	65.00	
	4,029.39	4,029.39
GRANT TOTAL		4,801,998.17

ands are sold, and when sales contracts are cancelled, the figures of "lands unsold" are changed accordingly. When losses have been in Section 16 or Section 36 and "lieu lands" are selected in another county, the lands are shifted and the figures altered. On account onstant changes the table of unsold lands does not long remain entirely accurate; but all the same it gives a good idea of the quantity .bution of the lands.

TABLE NO. XIII

CONDITION OF STATE FARM LOANS AND CONTRACTS JUNE 30, 1934

Classification	No. of Loans	Acres	Original Amount of Loan	Unpaid Principal
1. Loans in their original form not delinquent in their interest payments.	23	8,663.15	$ 44,900.00	$ 31,932,38
2. Loans in their original form delinquent in payments both as to principal and interest.	31	8,012.13	42,780.00	37,108.98
3. Loans converted to amortization loans not delinquent.	62	18,979.50	111,440.00	98,469.87
4. Loans converted to amortization loans delinquent.	138	43,697.55	259,900.00	260,996.14
5. Sales contracts* not delinquent	119	38,988.21	236,078.50	238,093.25
6. Sales contracts* delinquent	462	168,590.38	988,975.16	1,062,405.99
7. Loans under which the State has acquired title through quitclaim deed and the lands not resold.	420	141,098.90	866,570.00	958,024.19
8. Loans under which the State has acquired title through foreclosure proceedings and lands not resold.	246	74,365.05	421,970.00	520,633.46
9. Loans converted to amortization loans under which the State has acquired title and the lands have not been resold.	76	26,526.05	149,950.00	155,916.71
10. Sales contracts* cancelled and the lands not resold.	372	130,360.82	792,396.34	906,981.30
TOTALS	1949	659,281.74	$3,914,960.00	$4,270,562.27

*Loans under which the lands have been deeded to the State or acquired through foreclosure proceedings and then resold under the 33 year amortization plan.

Average amount per loan, not including accrued interest.....$ 2,191.16

Average investment per acre, not including accrued interest.... 6.4776

TAXES AND COSTS PAID BY THE STATE IN CONNECTION WITH ITS FARM LOANS

(Included in "Unpaid Principal" in table above given)

Up to June 30, 1922	$ 45,297.66
Year ending June 30, 1923	75,630.72
Year ending June 30, 1924	169,566.59
Year ending June 30, 1925	137,633.90
Year ending June 30, 1926	45,777.63
From June 30, 1926, to June 30, 1928	49,177.17
Year ending June 30, 1929	9,166.18
Year ending June 30, 1930	14,009.14
Year ending June 30, 1931	11,162.88
Year ending June 30, 1932	12,488.40
Year ending June 30, 1933	15,667.31
Year ending June 30, 1934	15,844.72
TOTAL	$601,422.30

TABLE NO. XIII (Continued)

TOTAL INVESTMENT IN FARM LOANS AT THE CLOSE OF EACH FISCAL YEAR

June 30, 1924	$4,551,655.03
June 30, 1925	4,595,261.19
June 30, 1926	4,549,039.77
June 30, 1927	4,529,084.23
June 30, 1928	4,433,894.77
June 30, 1929	4,342,179.76
June 30, 1930	4,301,561.94
June 30, 1931	4,270,942.18
June 30, 1932	4,273,807.84
June 30, 1933	4,281,631.32
June 30, 1934	4,270,562.27

OBSERVATIONS ON THE CONDITION OF STATE FARM LOANS

The figures given under the heading, "Unpaid Principal", show the unpaid balances on June 30, 1934, of money actually invested from the Public School Permanent Fund or Income Fund in each class, including all amounts paid as taxes and various costs. Delinquent interest is not included in the figures given. We have not figured the amount of this delinquent interest in detail, but based on careful estimates the amount is close to $1,500,000.00.

When lands are resold, not only taxes and costs paid by the state are included in the sales price, but also all due and delinquent interest, and as a result the sum total of "Sales Contracts" is considerably above the amount of the actual investment in principal. In the foregoing table the sales contracts, both delinquent and not delinquent (Classes 5 and 6) aggregate $1,300,499.24; this is the sum total actually paid out under these loans and not repaid; but on account of the inclusion of the due and delinquent interest in the principal, they amounted to $1,453,832.96 on June 30, 1934, being more than $150,000.00 above the actual investment in principal.

Up to and including the fiscal year ending June 30, 1925, the amount invested in farm loans continued to increase. Since December 24, 1924, not a single farm loan has been made, and every reasonable effort has been made to reduce the amount invested, but the reduction has been very slow as shown in the last part of the foregoing table. In fact the amount outstanding on June 30, 1934, was practically the same as on June 30, 1931.

This condition cannot be regarded as satisfactory, but of course it is due very largely to the economic depression. The interest collections are almost as unsatisfactory as the repayments on principal. Figured at five per centum per annum on the amount actually invested, the total interest collections on these loans during the two year period should have amounted to about $427,000.00. The actual collections amounted to exactly $158,220.54, a deficiency of about $269,000.00. As already indicated the total amount of delinquent interest on all these loans is approximately $1,500,000.00.

A little examination of Table XIII will reveal that out of the 1,949 loans now unpaid only 835, considerably less than one-half, can properly be regarded as loans, and these include delinquent loans and loans transformed into sales contracts. In the case of the remaining 1,114 "loans" the state has taken title but has not been able to resell the lands.

The 835 loans amount to $1,729,006.61, and the 1,114 "loans" now represented only by lands aggregate $2,541,555.66 as shown by the tabulation.

As an investment for the public school funds of the state, these loans cannot be regarded as satisfactory. Under Section 3, Article XI of the State Constitution "such public school fund shall forever remain inviolate, guaranteed by the state against loss or diversion ..... ". It would appear not to be too early to adopt a plan for carrying into effect this constitutional guaranty.

The recommendation of this department made in the reports of 1928, 1930 and 1932, is therefore renewed to the effect that the Legislative Assembly should enact legislation acknowledging the state's indebtedness to the Public School Permanent Fund for the amount actually invested in such loans, and make provision

for the annual payment of interest at a fixed rate and the systematic repayment of the principal itself. This recommendation is discussed more at length in this report under the heading, "New Legislation Needed", page 76.

General Plan of Handling Delinquent Loans

Under the provisions of Chapter 168 of the 1925 Session Laws as amended and reenacted by Chapter 60 of the 1927 Session Laws, delinquent farm loans are placed under the office of the Attorney General for securing title through foreclosure or otherwise. The 1933 Session of the Legislative Assembly made very substantial reductions in the appropriation for the Attorney General's office, making it necessary to operate with one assistant attorney general less than in previous years. This has had the result of placing a great deal of additional work in connection with delinquent farm loans upon Mr. L. E. Choquette, Chief Field Agent, who has had charge of the Farm Loan Division, including leasing of mortgage lands. Mr. Choquette has devoted a great deal of painstaking work to this problem and has been highly successful considering the present deplorable economic conditions.

The plan followed with all badly delinquent loans has been to secure title to the property by quitclaim deed whenever satisfactory title could be obtained in that way, and if not, then through foreclosure proceedings. Encouragement is always given to the mortgagor or his successor to repurchase the property within the redemption period under the easy payment plan provided by our statutes. The purchaser is required to pay in cash at least ten per centum of the total investment including accrued interest and all costs; the balance draws interest at the rate of five per centum per annum and is payable on the amortization plan through a period of thirty-three years.

None of these lands has been sold for less than the full investment including taxes, costs, and all accrued interest; but it is realized that the time has come when lands must be sold for less than the total amount invested, and it is thought that statutory authority for such sales already exists.

The application of the amortization principle to the repayment of these loans has proved exceedingly helpful. If the loans had originally been made on the amortization plan a much greater portion of these loans would have been repaid at the present time. The basic difficulty, however, is that the loans were too large, being made during the boom period of the state when everybody had an exaggerated idea of land values.

Section 74 of Chapter 60 of the 1927 Session Laws provides that whenever a sale of state lands is held in any county, all the mortgage lands owned by the state in such county to which the state has secured title shall be offered for sale. Section 77 of the same chapter provides that mortgage lands may also be advertised and sold at other times than at regular sales of state lands held at the county seats, whenever the State Board of Land Commissioners so orders.

The State Farm Loan Act Repealed

At the general election in 1914 a state farm loan law was enacted by the people of the state; but this act was found in part unconstitutional and was therefore not carried into operation. In 1917 the Legislative Assembly enacted a new farm loan law embodied in Chapter 124. Under this act and amendments thereto 2,522 state farm loans were made aggregating $4,[illegible]48,750.00. As shown in the second part of Table XIII, more than six hundred one thousand dollars additional

money has been paid as taxes and expenses in connection with these loans, making the total investment just about five and one-fourth million dollars.

The last new farm loan was made on December 24, 1924. Not one single new farm loan has been made since that date. As far as making new loans is concerned, the farm loan act has therefore been almost a dead letter for the last ten years; but it has been part of our statutes and has fully authorized the making of new loans. It is greatly to the credit of the State Board of Land Commissioners and this department that the temptation to make new farm loans has been successfully resisted during all of this period.

Insofar as the making of new loans is concerned, the farm loan act was entirely repealed by Chapter 139 of the 1933 Session Laws; but it is likely to take from forty to fifty years before the old farm loans are fully liquidated.

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TABLE NO. XIV

LEASES IN EFFECT JUNE 30, 1934

Showing the Number of Acres Under Lease in Each Grant and the Annual Rental

Name of Grant	Grazing Acreage	Annual Grazing Rental	Agricultural Acreage	Annual agricultural Rental	Acres Under Crop Share Leases
Public School	2,759,290.20	$143,524.01	19,597.67	$12,607.62	297,915.07
State University	10,726.02	623.41	245.00	300.75	420.00
Agri. Col. Morrill Grant	51,136.98	2,995.17	65.00	46.00	90.00
Agri. Col. Second Grant	10,256.13	447.65	.....	.....	.....
School of Mines	29,969.64	1,465.66	385.00	295.50	2,733.48
State Normal School	41,350.63	2,012.35	159.00	104.80	560.00
Deaf and Dumb Asylum	19,004.51	991.70	.....	.....	.....
State Reform School	21,171.93	1,271.65	105.00	75.85	80.00
Capitol Buildings	38,883.07	2,169.78	304.00	203.00	1,077.55
Soldiers' Home	1,115.61	49.50	.....	.....	.....
O.H. and T.B. Society	65.00	10.00	.....	.....	.....
State Prison Site	15.00	5.00	20.00	50.00	.....
TOTALS	2,982,984.72	$155,565.88	20,880.67	$13,683.52	302,876.10

SUMMARY

Total Acreage Under Grazing Leases	2,982,984.72	
Total Annual Grazing Rental		$ 155,565.88
Total Acreage Under Agricultural Leases (Except Crop Share Leases)	20,880.67	
Total Annual Agricultural Rental (Except Crop Share Leases)		13,683.52
TOTALS	3,003,865.39	$ 169,249.40
Acreage Under Crop Share Lease	302,876.10	
Total Acreage Under Lease	3,306,741.49	

Average Grazing Rentals Per Acre.....$0.05215
Average Agricultural Cash Rental Per Acre..... 0.655108

Minimum Share Rental - One-fifth of all crops raised, delivered in elevator. Total number of leases in effect including 1176 crop share leases - 6,038.

The leasing of state lands for agricultural and grazing purposes is in direct charge of Mrs. N. B. Sherlock, Assistant Commissioner. This great task demands constant and grinding work and the closest attention to detail. Mrs. Sherlock is discharging these exacting duties with perfect fairness to all concerned, with high efficiency and a deep understanding of the needs of the people throughout the state.

ADDITIONAL INFORMATION IN REGARD TO LEASING AND RENTALS

The leases above tabulated do not include leases on mortgage lands nor lands included in State forests. All rentals from mortgage lands are considered as interest on the loans or part payment on principal and are credited accordingly.

State forest lands are not leased for grazing in the same manner as other state lands, but permits are issued by the State Forester for grazing at very reasonable rates. For the last fiscal year the fees for such permits amounted to $6,724.94, as shown by Table No. V of this report. For the previous fiscal year these fees amounted to $8,516.91.

Crop Share Leases

Crop share leases are authorized by Section 30 of Chapter 60 of the 1927 Session Laws and are becoming highly important both to the state as lessor and to the hundreds of individual lessees. On June 30, 1932, there were 640 crop share leases in effect embracing 181,129.88 acres. On June 30, 1934, there were 1176 crop share leases in effect embracing 302,876.10 acres.

Under the law the minimum share rental is one-fifth of the crops raised delivered at the elevator, and the intention of the statute is that the share to the state shall be the same as that commonly paid by lessees of privately owned land in each locality. Under this form of lease no cash advance rental is required -- only the regular fee of $2.50 for issuing the lease. The quantity of grain delivered to the state as rental is in exact proportion to the quantity raised; in case of total crop failure the lessee is totally exempt. The system seems to be perfectly fair and particularly helpful in these trying times.

It is perfectly obvious, however, that the state cannot obtain the best results from 1176 separate crop share leases, embracing more than three hundred thousand acres of land without some supervision; and this supervision cannot be given without field men. The 1933 Session of the State Legislature failed to make appropriation for field men for this department and as a result the efficiency of administration is becoming seriously impaired both with regard to leasing and in other ways.

More Than One Lease May Be Held by the Same Person and Each Lease May Contain More Than One Section of Land

Under Section 11 of the Enabling Act as originally written, the quantity of land that could be leased to "one person or company" was limited to one section. In all cases where state lands were so situated that they could be used to advantage only by one or a few stockmen, this limitation was very troublesome, and from the very beginning of statehood methods were devised by which one person or company could in reality lease more than one section.

An amendment to this part of the Enabling Act was prepared by the present incumbent of this office, which among other things eliminates this troublesome restriction. The amendment was perfected by Senator Walsh, enacted into law largely through his influence in Congress and signed by the President on May 7, 1932. It is found on the inside of the first cover of this report.

This amendment to the Enabling Act was approved by the State Legislature in 1933 through Chapter 84.

By a resolution adopted on May 18, 1933, the State Board of Land Commissioners has limited the quantity of land that may be carried under one lease to four sections of adjoining lands or lands which naturally belong to the same grazing area. One person may hold more than one lease.

Chapter 42 of the 1933 Session Laws Reduces Grazing Rentals to One-Half

Chapter 42 of the 1933 Session Laws is so deep going in its effect on the leasing of state lands, and in its indirect effects on the sale of state lands, that it requires careful consideration by all who are interested in the faithful administration of that vast heritage arising through the millions of acres granted to the State of Montana for the support of our schools. The main provisions of the Act are those which practically speaking reduce grazing rentals on state lands to one-half of the rates existing under former statutes. Section 3 of the Act amends Section 25 of Chapter 60 of the 1927 Session laws and reads in part as follows:

"For the purpose of determining the rental price of grazing lands they shall be classified as follows:

> Class 1. Extra good grazing land, Thirty-five Dollars ($35.00) to Fifty Dollars ($50.00).
>
> Class 2. Good grazing land, well sodded with grass Thirty Dollars ($30.00).
>
> Class 3. Fair grazing land, with medium grass, Twenty-five Dollars ($25.00).
>
> Class 4. Poor grazing land, thinly grass, Twenty Dollars ($20.00).
>
> Class 5. Any other grazing land, such amount as may be fixed by said Board."

With the exception of Class 5 for which there is no corresponding class in previous legislation, the rentals fixed for each class is exactly one-half of the rentals required up to the time the said Chapter 42 went into effect.

Through the cancellation of old leases and the issue of new leases by the thousand, the new rental rates have gone into effect. Table No. XIV shows that on June 30, 1934, the average annual grazing rental on nearly three million acres was only 5.215 cents. The average annual grazing rentals on 2,549,000 acres of grazing lands under lease on June 30, 1932 -- under the old statutes -- was 10.705 cents, more than twice the present average.

The argument has constantly been used in favor of rental reductions that it would bring so much more state lands under lease that this would more than offset the reduction. To offset a reduction of rentals to one-half or less, it would evidently be necessary to double the lands under lease. This would be impossible for the simple reason that far more than one-half of the lands have always been under lease for a long series of years.

As shown by Table No. XIV more than 3,306,000 acres were under lease on June 30, 1934. As approximately one-half million acres are in state forests, only about 1,055,000.00 acres were open to lease at that time. At an average rental of 5.215

cents this would produce only about $55,000.00; but as the lands not now under lease are unquestionably the poorer lands, far below the average, the rental would not reach the same average as the better lands and would not even bring $55,000.00.

It is evident that under the reduced rental rates of Chapter 42 of the 1933 Session Laws, the income from grazing rentals can never be brought up to what they have been in former years. Better economic conditions bring a better income from rentals; but with the present grazing rates it will be mathematically impossible to bring the income from this source up to figures for good years in the past.

The total receipts from rentals on state lands during the last nine years have been as follows:

Year Ending June 30, 1926	$ 374,995.61
" " " 30, 1927	368,112.53
" " " 30, 1928	427,057.38
" " " 30, 1929	423,087.71
" " " 30, 1930	397,652.14
" " " 30, 1931	312,035.58
" " " 30, 1932	211,083.94
" " " 30, 1933	176,002.68
" " " 30, 1934	227,614.43

The pending legislation for the reduction of rentals in 1933 had the effect of delaying a great deal of leasing of state lands and rental payments until the new legislation had become effective. This in turn resulted in reducing the rental collections in 1933 and of adding these delayed rentals to the receipts for 1934.

Attention is called to the fact that the average rental of 5.215 cents per acre practically places an average value of $1.00 per acre on these grazing lands, as it amounts to 5.215 per centum interest on one dollar. It should also be taken into account that the lessee pays no taxes on state lands while the private owner of grazing lands must pay substantial taxes. According to the reports of the State Board of Equalization the average assessed valuation of all privately owned grazing lands for the years 1931 to 1934 inclusive, is a little over $3.50 per acre and the average tax per acre during the same years was about six cents.

One effect of this reduction in rentals will be to make it so much more difficult to sell grazing lands as they must bring not less than $5.00 per acre. The Enabling Act granting these lands to the State of Montana contemplates that the lands shall be sold and permanent funds built up from the proceeds for the perpetual support and maintenance of our schools.

Supreme Court Decisions on Chapter 42

Chapter 42 of the 1933 Session Laws found its way into the Supreme Court in the case of Rider, Plaintiff, v. Cooney, Governor, Et Al., Defendants, 94 Mont., Page 295. As the court did not on the record before it declare the act unconstitutional, a great number of persons may hold the erroneous opinion that the act was fully and completely approved by the court. Such is not the case. One of the most vital matters involved in this case was the question of whether or not the grazing rentals as fixed by the said chapter represented the full market values. The court states and restates that this question was eliminated from consideration by the court through the stipulation of counsel. As this vital question of fact

was eliminated from the consideration of the court it was not decided. The court reiterates the well established principle that the grant of lands for school purposes by the Federal government to this state constitutes a trust and that it should be so administered as to secure the largest measure of legitimate advantage to the beneficiary of the trust. The court quotes Section 1 of Article XVII of the State Constitution as follows: "All lands of the state * * * shall be held in trust for the people; * * * and none of such land, nor any estate or interest therein, shall ever be disposed of except in pursuance of general laws providing for such disposition, nor unless the full market value of the estate or interest disposed of, to be ascertained in such manner as may be provided by law, be paid or safely secured to the state."

In its opinion the court decided that a lease to state lands is an interest in these lands within the meaning of the constitution; that state lands may have a market value for leasing purposes even though there is only one applicant for lease; and that under the constitution the state is required to charge the full rental values. As the question of whether or not the schedule of rentals specified in the said Chapter 42 represents full market values, the court had to assume that it did represent such full values and was in accordance with the constitution. The last portion of the opinion reads in part as follows:

"The presumption being that the Act is constitutional, we are compelled to assume for the purpose of this opinion that the state will receive the market value for its grazing lands. However, if it should later appear that the valuations determined by the Act of the legislature have been arbitrarily fixed, and amount to a mere subterfuge to enable persons desiring to secure these grazing lands at less than their true value, or that the policy declared by this legislative Act results in a material portion of these lands being leased at a price less than their actual value, then clearly the Act is unconstitutional and cannot stand."

* * * * * * * * * * *

It is a fact beyond question or dispute, established by the records of the state land office, that the average rentals on all grazing lands placed under lease from the beginning of statehood up to the year 1933, were far higher than the rentals fixed by the said Chapter 42. From year to year, from decade to decade, millions of acres of these state lands were held under lease at rentals twice as high, or more than twice as high, as the rates prescribed by the new legislation. But these facts were not before the court.

Chapter 42 as Emergency Legislation

We are probably justified in assuming that the said Chapter 42 was intended as emergency legislation. At a meeting of the State Board of Land Commissioners on January 17, 1933, a delegation of stockmen appeared before the Board and explained that they would seek a fifty per centum reduction in grazing rentals on state lands for a period of two years through new legislation. The Board took no action whatever on this application, but the presumption was that the legislation sought to be enacted would be for a reduction for a two year period only. In other words it was assumed that it would be emergency legislation designed to meet the deplorable conditions then existing and still existing in the stock industry, particularly in the eastern portion of the state. However, the legislation enacted does not contain any limitation as to the term through which it is to remain in effect.

Leasing of State Lands for Oil and Gas and Other Minerals

The leasing of state lands for oil and gas exploration and development is governed by Chapter 108 of the 1927 Session Laws and amendments thereto.

Under this legislation, oil and gas leases on state lands are granted for a period not exceeding ten years and as long thereafter during the term of fifteen years commencing with the date of the lease as oil and gas in commercial quantities are produced from the land. The minimum annual rental is fixed at the flat rate of seventy-five cents per acre, but with a minimum total rental under each lease of $50.00 per annum.

In addition to these rentals and penalties for delay in drilling, if any, there is reserved to the state a royalty on the oil and gas produced and saved of twelve and one-half per centum of the production. In case of heavy production a graduated scale of higher royalties becomes effective.

The royalty on gas is fixed at the flat rate of twelve and one-half per centum.

The lessee is required to furnish a surety company bond in the amount of $1,000.00 conditioned for the faithful performance of his obligations under the lease, and the State Board of Land Commissioners reserves the right to increase this bond if found necessary.

In January of this year, the State Board of Land Commissioners adopted the rule of not issuing any more original oil and gas leases on state lands without advertising, and this rule is now invariably followed. Lands for which application has been made are advertised at least twice in the Montana Oil Journal, published at Great Falls.

All rentals on oil and gas leases are credited to the Income Fund of the school or institution to which the lands belong; all royalties are added to the Permanent Funds. All rentals on coal leases are regarded as payment of royalties for the coal taken and are therefore added to the permanent funds.

All oil so far discovered on state lands has been on lands belonging to the public schools which constitute approximately ninety per centum of all state owned lands. Numerous oil and gas leases have been issued on other state lands than those of the public schools, and as a result the institutions to which they belong have received a share of the rentals; but so far no oil has been discovered on other than public school lands.

Every dollar and every penny so far received by the State of Montana as oil and gas royalty have been added to the Public School Permanent Fund and have become inseparable and inviolable parts thereof.

Suits Pending Under Oil Purchase Contracts

Boris A. S. Aronow of Shelby, Montana, failed to make payment to the state for the state's royalty oil under his purchase contract for the months of August, September, October and November, 1930. Through Attorney General L. A. Foot the state instituted a suit in the district court of Lewis and Clark County against

Outside of coal, oil and gas leases there were only two mineral leases in effect on June 30, 1934, embracing 375 acres at an annual rental of $281.25.

One of these mining leases is for mining silver, lead and other minerals on part of Section 16, Township 25N., Range 23W., Flathead County. The other is for phosphate mining on part of Section 36, Township 9N., Range 13W., Granite County. So far commercial production has not been obtained under any of these leases and consequently no royalties have been received.

Table No. XVI contains a list of the state lands producing oil and gas and Table No. XVII shows the receipts from coal, oil and gas leases for the last sixteen years.

TABLE NO. XVI
STATE LANDS PRODUCING OIL AND GAS, JUNE 30, 1934

(A) State Lands Producing Oil

Subdivision	Sec.	Twp.	Rge.	Acres	Total of State's Royalty Oil in Bbls. July 1,1933 to June 30, 1934	Average Price During Year Per Bbl.
CAT CREEK FIELD:						
All	16	15N	30E	640	123.69	$ 1.53
PONDERA FIELD:						
All	16	27N	4W	640	9,099.49	1.25
KEVIN-SUNBURST FIELD:						
NW¼,E½SE¼	7	34N	1W	240		
W½SW¼	8	34N	1W	80	963.89	1.27
All	36	34N	1W*	640	169.06	1.27
All	16	35N	1W	640	90.78	1.37
Lots 1,2,3,4,E½SW¼, SE¼NW¼	30	35N	1W	266.44	5,920.06	1.27
NE¼,S½	16	35N	2W	480	1,808.61	1.27
SE¼,SE¼NE¼	25	35N	2W	200	2,667.31	1.27
All	36	35N	2W	640	9,685.16	1.27
CUT BANK FIELD:						
All	16	32N	5W**	640	294.03	1.43½
Totals				5,106.44	30,822.08	

*Produces gas also.

** Oil was discovered in this section in January, 1934, and is the latest discovery of oil in school lands. It is the most southern point in the Cut Bank Field where oil has so far been discovered. The royalty of $294.03 is for the month of January only, as the well was shut down awaiting the building of a pipe line.

(Continued on following page)

TABLE NO. XVII

RENTALS AND ROYALTIES ON COAL, OIL AND GAS LEASES
COLLECTED BY THE STATE OF MONTANA

From December 1, 1918, to June 30, 1934

Fiscal Year Ending	Rentals and Royalties On Coal Leases	Rentals on Oil and Gas Leases	Oil and Gas Royalties	T O T A L S
Nov. 30, 1919	$ 11,225.84	$ 15,243.20	$ None	$ 26,469.04
Nov. 30, 1920	11,486.53	55,901.00	None	67,387.53
June 30, 1921	4,539.74	*29,601.27	None	34,141.01
June 30, 1922	5,923.20	*29,601.27	2,759.71	38,284.18
June 30, 1923	5,148.53	83,430.70	5,132.25	93,711.48
June 30, 1924	4,239.50	39,832.78	6,905.82	50,978.10
June 30, 1925	1,733.25	33,950.00	8,504.18	44,187.43
June 30, 1926	2,254.64	32,300.00	185,189.46	219,744.10
June 30, 1927	1,334.51	38,260.00	313,997.30	353,591.81
June 30, 1928	2,549.45	92,849.78	155,689.97	251,089.20
June 30, 1929	2,033.90	56,147.89	138,806.57	196,988.36
June 30, 1930	1,810.23	93,279.04	150,471.53	245,560.80
June 30, 1931	1,652.41	59,049.36	61,477.33	122,179.10
June 30, 1932	2,555.00	34,093.94	61,331.76	97,980.70
June 30, 1933	1,880.51	23,671.21	33,701.30	59,253.02
June 30, 1934	2,505.99	31,924.77	44,289.94	78,720.70
TOTALS	$ 62,873.23	$ 749,136.21	$1,168,257.12	$1,980,266.56

*Rentals for the two years averaged.

TABLE NO. XVIII

SUMMARY OF ALL LAND SALES FOR THE TWO FISCAL YEARS
BEGINNING JULY 1, 1932, AND TERMINATING JUNE 30, 1934

Date	Name of County	Acres Sold	In What Grant	Total Sales Price	Average Price Per Acre
July 1, 1933, to June 30, 1934	Sweet Grass County	480	Public School Grant	$3,200.00	$6.67
	Toole County	328.32	" " "	1,705.33	5.19
	Glacier County Lots in Cut Bank Townsite		Public Bldgs. Grant	10,655.00	
TOTALS		808.32		$15,560.33	

On account of the difficult economic conditions prevailing throughout the state during the two year period covered by this report, only three small land sales were conducted as above shown.

The sale in Sweet Grass County on February 19, 1934, was held in order to accommodate the town of Big Timber in purchase of land for an airport. A sale was

held in Glacier County on May 21, 1934, in order to meet the demand that had arisen for the purchase of residence lots on account of the rapid development of the Cut Bank oil and gas field. A small sale was held in Toole County on the same date.

A few tracts of mortgage lands were sold under the provisions of Section 77 and Section 78 of Chapter 60 of the 1927 Session Laws.

TABLE NO. XIX

SUMMARY OF ALL LAND SALES UP TO JUNE 30, 1934

Fiscal Year Ending	Public School (acres)	Uni-versity (acres)	Agri. College Morrill (acres)	Agri. College 2nd Gt. (acres)	School of Mines (acres)	State Normal (acres)	Deaf and Dumb (acres)	State Reform (acres)	Capitol Build-ings (acres)	Total Acres	Total Sales Price	Average Price Per Acre
1897 and Prior Years	10,070.76	2,870.13	.....	.....	.....	80.00	.....	960.00	641.98	14,622.87	$ 186,280.89	$ 12.739
1898	1,816.06	160.00	.....	.....	.....	160.00	.....	.....	40.00	2,176.06	24,075.50	11.063
1899	2,442.03	608.42	.....	116.30	.....	.....	560.00	.....	.....	3,726.75	41,110.00	11.031
1900	760.00	82.70	.....	.....	.....	.....	.....	.....	.....	842.70	12,092.00	14.349
1901	2,076.00	520.00	233.28	40.00	262.81	363.13	280.00	339.40	622.80	4,737.42	61,029.90	12.882
1902	9,031.29	3,560.90	80.00	286.90	193.00	417.26	120.00	320.00	1,400.30	15,409.65	227,226.24	14.745
1903	10,294.29	1,334.95	416.06	781.85	1,190.98	1,027.12	376.54	17.20	945.08	16,384.07	175,084.66	10.686
1904	6,227.41	716.90	338.43	247.52	9.37	1,102.90	8.58	6.08	208.06	8,865.25	142,118.02	16.030
1905	5,878.82	828.67	103.37	120.00	409.83	524.18	1,000.00	40.00	1,301.34	10,206.21	114,836.31	11.251
1906	16,676.28	520.00	392.48	760.00	373.58	568.86	778.41	487.37	2,041.12	22,598.10	287,407.43	12.718
1907	19,331.27	1,121.72	3,820.75	.....	7,182.18	9,358.26	2,056.15	1,937.02	9,904.27	54,711.62	777,512.20	14.211
1908	16,356.36	1,117.29	9,344.06	.....	5,640.06	4,802.31	3,470.64	640.00	9,650.15	51,020.81	604,288.00	11.843
1909	3,800.86	36.98	.....	.06	14.78	494.42	.....	.....	660.79	5,007.89	80,398.50	16.054
1910	97,856.38	9,507.15	.....	993.81	11,364.96	5,710.04	320.00	329.53	16,256.85	142,338.72	2,733,171.98	19.201
1911	51,704.06	640.00	1,035.07	.....	475.55	282.00	1.23	160.00	2,600.00	56,897.91	729,388.72	12.819
1912	188,258.13	2,537.52	3,920.11	2,836.04	6,657.43	1,604.84	700.07	876.48	2,820.24	210,210.86	3,389,868.37	16.126
1913	84,513.79	1,309.73	1,963.21	2,219.40	2,107.41	2,632.98	440.00	3,271.32	5,048.61	103,506.45	1,670,852.23	16.142
1914	19,050.32	23.02	280.00	1,218.65	.....	3.93	313.18	1,596.60	647.36	23,133.06	325,712.85	14.079
1915	54,745.26	861.78	1,185.08	235.85	1,910.93	931.08	151.38	914.96	1,404.71	62,341.03	971,463.59	15.583
1916	113,770.54	1,720.62	2,720.18	1,480.00	1,999.86	1,579.07	1,167.81	200.83	869.69	125,668.60	1,979,599.19	15.751
1917	66,071.51	557.21	1,840.00	560.00	3,843.07	240.00	1,840.00	1,410.78	884.40	77,246.97	1,213,123.28	15.691
1918	102,584.68	.....	2,489.34	14.63	2,921.74	1,282.79	211.70	440.00	274.88	110,219.76	1,870,368.24	16.960
1919	145,905.46	160.00	785.06	232.50	1,765.76	1,288.11	1,360.00	240.22	6,311.81	158,048.92	2,491,803.44	15.766
1920	22,096.93	1,042.00	720.22	.....	.....	.....	.....	160.32	251.23	24,270.70	369,095.56	15.207
1921	2,438.44	.....	.....	.....	.....	.....	.....	480.00	.....	2,918.44	47,571.91	16.300
1922	650.01	.....	.....	.....	.....	.....	4.31	.....	.....	654.32	7,391.32	11.296
1923	731.91	.....	70.90	.....	.....	.....	831.25	.....	.....	1,643.06	16,430.60	10.000
1924	145.83	.....	120.00	.97	.....	8.83	22.59	.....	1.11	299.33	4,466.98	14.856
1925	2,026.62	.....	.....	.....	.....	40.80	.....	.....	.....	2,067.42	49,892.54	24.123
1926	53,088.14	.....	.....	.....	.....	.....	.....	.....	.....	53,146.98	750,960.29	14.129
1927	46,592.89	.....	.....	.....	.....	.....	.....	.....	.....	46,592.89	653,190.81	14.019
1928	28,881.72	57.22	.....	160.00	764.46	680.00	.....	.....	445.41	28,008.81	503,170.66	17.95+
1929	116,201.05	.....	494.60	.....	880.00	80.00	.....	.....	.....	117,714.55	1,640,782.70	13.94
1930	24,362.28	.....	400.00	160.72	1,280.00	702.88	.....	.....	557.32	27,473.17	426,615.16	15.53
1931	1,431.00	.....	.....	.....	.....	.....	.....	.....	.....	1,431.00	18,546.00	12.13
1932	1,346.50	.....	.....	.....	.....	.....	.....	.....	.....	1,346.50	18,829.40	14.00
1933	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1934	808.32	.....	.....	.....	.....	.....	.....	.....	17.00	825.32	6,755.33	8.18+
TOTALS	1,327,023.17	31,894.91	32,761.20	12,465.20	51,247.70	35,965.79	16,013.84	14,828.11	65,806.51	1,588,314.17	$24,620,510.60	15.50

TABLE NO. XIX (Continued)

As already explained in this report, a great number of sales contracts have been cancelled on account of delinquency in payments. These cancellations are not taken into account in this summary; the summary shows the results of the sales as they were made.

It will be noted that the average sales price for all these lands is $15.50 per acre. Under the Enabling Act as originally passed by Congress, the minimum sales price on all state lands was $10.00 per acre. On May 7, 1932, the President approved an amendment to this act reducing the minimum sales price on grazing lands to $5.00 per acre. The minimum sales price of $10.00 per acre on agricultural lands was retained. See inside first cover of this report for full text of the amendment. This amendment has been accepted by the State of Montana through Chapter 84 of the 1933 Session Laws and the minimum sales price on grazing lands has been reduced to $5.00 per acre through Chapter 177 of the 1933 Session Laws.

ITEMIZED STATEMENT OF INVESTMENTS MADE FROM
JULY 1, 1932 TO JUNE 30, 1934

The following tables numbered XX and XXI constitute a complete, itemized and exact statement of all investments in bonds and warrants made by this department from July 1, 1932, to June 30, 1934. The total of these investments for the first of these two fiscal years is $1,623,749.00, and the total for the second fiscal year is $1,390,244.34, making a total of $3,013,993.45. These investments do not include the $3,074,000.00 in State General Fund Warrants exchanged for state funding bonds on May 3, 1933. Being an exchange of warrants for bonds, it does not really constitute a new investment. An account has already been given of this exchange under Table III and also under the heading "State Funding Bonds" on page 32.

The tables show the actual payments made during these two years for bonds and warrants purchased.

It will be noted that a few of the payments for bonds are in odd amounts. This is due to the fact that in some cases bonds were not presented for payment until after the first installment had become due, and in cases of this kind the first coupon was clipped from the bond before it was presented for payment and the principal of the bond was reduced accordingly.

From year to year the State Board of Land Commissioners has authorized its secretary to purchase on behalf of the Board individual bond issues of not more than $10,000.00 each without consulting the Board. This practice was followed throughout the two year period covered by this report. In the case of all bond issues above $10,000.00, the authorization of the Board has been obtained before placing bids.

The proceedings for every bond issue purchased, without any exception whatever, has received the unqualified approval of the Attorney General before payment was made.

Table III found in the early part of this report constitutes a summary and classification of the investments listed in Table XX.

Table VII constitutes a summary and classification of the investments listed in Table XXI.

By Whom Issued	
School District No. 1	[illegible]
School District No. 1	[illegible]
School District No. 29	[illegible]
School District No. 60	[illegible]
State of Montana	[illegible]
State of Montana	[illegible]
State of Montana	[illegible]
State of Montana	[illegible]
State of Montana	[illegible]
City of Glasgow	[illegible]
City of Glasgow	[illegible]
City of Glasgow	[illegible]
School District No. 2	[illegible]
State of Montana	[illegible]
State of Montana	[illegible]
School District No. 24	[illegible]
State of Montana	[illegible]
State of Montana	[illegible]
State of Montana	[illegible]
State of Montana	[illegible]
School District No. 18	[illegible]
School District No. 69	[illegible]
State of Montana	[illegible]
State of Montana	[illegible]
State of Montana	[illegible]
State of Montana	[illegible]
State of Montana	[illegible]
State of Montana	[illegible]
State of Montana	[illegible]
State of Montana	[illegible]
State of Montana	[illegible]
State of Montana	[illegible]
School District No. 9	[illegible]
State of Montana	[illegible]
State of Montana	[illegible]
State of Montana	[illegible]
State of Montana	[illegible]

TABLE NO. XX

INVESTMENTS MADE FROM JULY 1, 1932, TO JUNE 30, 1933

By Whom Issued	County	Kind of Bond	Amount	Int. Rate	Date of Pay-ment Ord.	No. of Pay-ment Ord.	Fund Invested	Date of Issue	Final Due Date
School District No. 1	Cascade	School Amortization Building	$ 29,058.96	4.6%	7-23-32	No. 1794	Public School Per.	6-1-31	6-1-51
School District No. 1	Cascade	School Amortization Building	4,843.16	4.6%	7-23-32	No. 1796	Reform School Per.	6-1-31	6-1-51
School District No. 29	Sheridan	School Amortization Building	5,000.00	6%	7-25-32	No. 1798	Public School Per.	3-15-32	3-15-52
School District No. 60	Richland	Converted Amortization	266.46	6%	7-27-32	No. 1800	Public School Per.	6-15-32	6-15-34
State of Montana	.....	General Fund Warrants	181,607.51	4%	7-28-32	No. 1802	Pub.Sch. Int. & Inc.	.....	.....
State of Montana	.....	University Millage Warrants	11,900.00	4%	7-29-32	No.1808½	Agri. Col. Morrill	.....	.....
State of Montana	.....	University Millage Warrants	1,800.00	4%	7-29-32	No.1808½	Agri. Col. Second	.....	.....
State of Montana	.....	University Millage Warrants	9,660.52	4%	7-29-32	No.1808½	University Per.	.....	.....
State of Montana	.....	University Millage Warrants	7,813.35	4%	7-29-32	No.1808½	School of Mines Per.	.....	.....
City of Glasgow	Valley	Airport Amortization	2,500.00	6%	8-4-32	No. 1809	Deaf and Dumb Per.	7-1-32	7-1-52
City of Glasgow	Valley	Airport Amortization	2,500.00	6%	8-4-32	No. 1811	Mont.Tr. & Legacy	7-1-32	7-1-52
City of Glasgow	Valley	Airport Amortization	2,500.00	6%	8-4-32	No. 1813	Veterans Memorial	7-1-32	7-1-52
School District No. 2	Valley	School Amortization Building	15,000.00	6%	8-26-32	No. 1815	State Normal Per.	5-1-32	5-1-52
State of Montana	.....	General Fund Warrants	189,122.83	4%	8-30-32	No. 1819	Public School Per.	.....	.....
State of Montana	.....	University Millage Warrants	16,781.28	4%	8-30-32	No. 1820	Public School Per.	.....	.....
School District No. 24	Fergus	Converted Amortization	325.00	6%	9-12-32	No. 1827	University Per.	5-15-32	5-15-36
State of Montana	.....	General Fund Warrants	200,489.95	4%	9-30-32	No. 1829	Public School Per.	.....	.....
State of Montana	.....	University Millage Warrants	7,585.73	4%	9-30-32	No. 1830	Public School Per.	.....	.....
State of Montana	.....	University Millage Warrants	4,868.58	4%	10-18-32	No. 1833	Agri. Col. Second	.....	.....
State of Montana	.....	University Millage Warrants	21,360.05	4%	10-18-32	No. 1834	Agri. Col. Morrill	.....	.....
School District No. 18	Pondera (Teton)	Straight Term Building	1,000.00	6%	10-18-32	No. 1835	Reform School Per.	4-1-18	4-1-38
School District No. 69	Sheridan	School Amortization	1,000.00	6%	10-21-32	No. 1836	Reform School Per.	9-1-32	9-1-42
State of Montana	.....	General Fund Warrants	341,079.73	4%	11-14-32	No. 1838	Public School Per.	.....	.....
State of Montana	.....	General Fund Warrants	69,876.04	4%	11-30-32	No. 1851	Public School Per.	.....	.....
State of Montana	.....	University Millage Warrants	9,929.74	4%	11-30-32	No. 1852	School of Mines Per.	.....	.....
State of Montana	.....	University Millage Warrants	2,066.24	4%	11-30-32	No. 1853	University Per.	.....	.....
State of Montana	.....	General Fund Warrants	117,640.66	4%	12-20-32	No. 1874	Public School Per.	.....	.....
State of Montana	.....	University Millage Warrants	4,466.65	4%	12-20-32	No. 1875	School of Mines Per.	.....	.....
State of Montana	.....	University Millage Warrants	352.00	4%	12-31-32	No. 1877	School of Mines Per.	.....	.....
State of Montana	.....	University Millage Warrants	7,651.72	4%	1-19-33	No.1877½	School of Mines Per.	.....	.....
State of Montana	.....	University Millage Warrants	214.28	4%	12-31-32	No. 1878	University Per.	.....	.....
School District No. 9	Musselshell	Converted Amortization	8,500.00	6%	1-30-33	No. 1879	Public School Per.	12-15-32	12-15-42
State of Montana	.....	University Millage Warrants	25,582.38	4%	2-11-33	No. 1895	University Per.	.....	.....
State of Montana	.....	General Fund Warrants	2,175.54	4%	2-11-33	No. 1896	University Per.	.....	.....
State of Montana	.....	University Millage Warrants	6,718.20	4%	2-11-33	No. 1897	School of Mines Per.	.....	.....
State of Montana	.....	University Millage Warrants	11,272.60	4%	7-29-32	No.1808½	W. T. Dixon Per.	.....	.....

TABLE NO. XX (Continued)

INVESTMENTS MADE FROM JULY 1, 1932, TO JUNE 30, 1933

By Whom Issued	County	Kind of Bond	Amount	Int. Rate	Date of Our Payment Ord.	No. of Our Payment Ord.	Fund Invested	Date of Issue	Final Due Date
State of Montana	.....	University Millage Warrants	$ 690.41	4%	2-28-33	No. 1898	School of Mines Per.	.....	.....
State of Montana	.....	University Millage Warrants	25,689.37	4%	2-28-33	No. 1899	Agri. Col. Second	.....	.....
State of Montana	.....	University Millage Warrants	1,892.41	4%	2-28-33	No. 1900	University Per.	.....	.....
State of Montana	.....	University Millage Warrants	6,106.17	4%	3-22-33	No. 1914	School of Mines Per.	.....	.....
State of Montana	.....	University Millage Warrants	21,247.02	4%	3-22-33	No. 1915	Agri. Col. Morrill	.....	.....
School District No. 1	Fergus	School Amortization Refunding	5,000.00	6%	3-27-33	No. 1917	Deaf and Dumb Per.	1-1-33	1-1-43
School District No. 86	Golden Valley	School Converted Amortization	3,000.00	6%	3-30-33	No. 1919	Public School Per.	2-15-33	2-15-43
State of Montana	(Bou ht from Com. Sch. Equalization	General Fund Warrants	29,336.04	4%	4-15-33	No. 1920	Public School Per.	.....	.....
State of Montana	.....	University Millage Warrants	8,964.98	4%	5-23-33	No. 1921	School of Mines Per.	.....	.....
State of Montana	.....	University Millage Warrants	9,628.68	4%	5-23-33	No. 1922	Agri. Col. Second	.....	.....
School District No. 38	Flathead & Lake	School Amortization Building	7,500.00	6%	6-1-33	No. 1976	Mont. Tr. & Legacy	6-1-33	6-1-53
School District No. 10	Pondera	Amortization Refunding	18,500.00	6%	6-12-33	No. 1978	Normal School	3-1-33	3-1-43
State of Montana	.....	University Millage Warrants	5,953.61	4%	6-30-33	No. 1980	School of Mines Per.	.....	.....
State of Montana	.....	University Millage Warrants	5,731.26	4%	6-30-33	No. 1981	Agri. Col. Second	.....	.....
State of Montana	.....	General Fund Warrants	150,000.00	4%	6-30-33	No. 1982	Pub. Sch. Int. & Inc.	.....	.....

TOTAL AMOUNT INVESTED $1,623,749.11

TABLE NO. XXI

INVESTMENTS MADE FROM JULY 1, 1933, TO JUNE 30, 1934

By Whom Issued	County	Kind of Bond	Amount	Int. Rate	Date of Pay-ment Ord.	No. of Pay-ment Ord.	Fund Invested	Date of Issue	Final Due Date
Richland County	Richland	Amortization Bridge	$ 49,298.40	5½%	7-31-33	No. 2007	Public School Per.	1-1-33	1-1-53
School District No. 30	Carbon	Serial Building	7,566.00	6%	8-9-33	No. 2009	Public School Per.	1-1-34	1-1-46
Roosevelt County (#168) (#169)	Roosevelt	Funding Bonds	1,940.00	6%	8-10-33	No. 2010	Public School Per.	7-1-20	7-1-40
School District No. 27	Flathead	School Amortization Building	1,000.00	6%	8-11-33	No. 2011	Mont.Tr. & Legacy	6-1-33	6-1-38
State of Montana	.....	University Millage Warrants	44,226.89	4%	8-12-33	No. 2015	Agri. Col. Morrill	.....	.....
State of Montana	.....	University Millage Warrants	7,763.04	4%	8-12-33	No. 2016	School of Mines Per.	.....	.....
State of Montana	.....	University Millage Warrants	12,532.68	4%	8-12-33	No. 2017	Dixon Endowment Per.	.....	.....
State of Montana	.....	University Millage Warrants	28,802.92	4%	8-12-33	No. 2018	University Per.	.....	.....
School District No. 34	Pondera	Sch.Dist.Con.Amortization	1,000.00	6%	9-5-33	No. 2027	Normal School Per.	8-15-33	8-15-43
School District No. 10	Pondera	Amortization Funding	5,000.00	6%	9-6-33	No. 2028	Normal School Per.	7-1-33	7-1-43
School District No. 28	Lake & Missoula	Amortization Funding	60,000.00	5½%	9-14-33	No. 2031	Public School Per.	7-1-33	7-1-43
School District No. 1	Silver Bow	Amortization Funding	22,308.34	5½%	9-14-33	No. 2033	Normal School Per.	7-1-33	7-1-38
School District No. 1	Powell	Amortization Funding	20,000.00	5½%	9-18-33	No. 2035	Public School Per.	7-1-33	7-1-43
School District No. 13	Richland	Amortization Funding	16,300.00	5½%	9-18-33	No. 2037	School of Mines Per.	7-1-33	7-1-43
School District No. 18	Pondera	Amortization Funding	9,000.00	6%	9-18-33	No. 2039	Deaf and Dumb Per.	7-1-33	7-1-43
School District No. 95	Richland	Amortization Funding	800.00	6%	9-18-33	No. 2041	Public School Per.	7-1-33	7-1-43
School District No. 23	Carbon	Amortization Funding	7,000.00	6%	9-20-33	No. 2043	School of Mines Per.	7-1-33	7-1-43
School District No. 9	Valley	Amortization Funding	44,500.00	5½%	9-20-33	No. 2045	Public School Per.	7-1-33	7-1-43
School District No. 23	Lake	Amortization Funding	14,500.00	5½%	9-21-33	No. 2047	Public School Per.	7-1-33	7-1-43
School District No. 33	Madison	Amortization Funding	470.00	6%	9-21-33	No. 2049	Public School Per.	7-1-33	7-1-38
School District No. 6	Daniels	Amortization Funding	5,500.00	6%	9-21-33	No. 2051	Reform School Per.	7-1-33	7-1-43
School District No. 44	Gallatin	Amortization Funding	7,800.00	6%	9-21-33	No. 2053	Reform School Per.	7-1-33	7-1-43
School District No. 45S	Golden Valley	Amortization Funding	1,850.00	6%	9-21-33	No. 2055	Public School Per.	7-1-33	7-1-43
School District No. 39	Gallatin	Amortization Funding	600.00	6%	9-25-33	No. 2057	Public School Per.	7-1-33	7-1-43
School District No. 48	Gallatin	Amortization Funding	400.00	6%	9-25-33	No. 2059	Public School Per.	7-1-33	7-1-43
School District No. 73	Gallatin	Amortization Funding	500.00	6%	9-25-33	No. 2061	Public School Per.	7-1-33	7-1-43
School District No. 6	Granite	Amortization Funding	1,350.00	6%	9-25-33	No. 2063	Veterans Memorial	7-1-33	7-1-43
School District No. 3	Daniels	Amortization Funding	2,700.00	6%	9-25-33	No. 2065	Veterans Memorial	7-1-33	7-1-43
School District No. 33	Phillips	Amortization Funding	775.00	6%	9-25-33	No. 2067	Public School Per.	7-1-33	7-1-43
School District No. 2	Valley	Amortization Funding	8,000.00	6%	9-25-33	No. 2069	Public School Per.	7-1-33	7-1-43
School District No. 35	Lake	Amortization Funding	1,700.00	6%	9-27-33	No. 2071	Public School Per.	7-1-33	7-1-43
School District No. 35	Liberty	Amortization Funding	890.00	6%	9-27-33	No. 2073	Public School Per.	7-1-33	7-1-42
School District No. 7	Valley	Amortization Funding	8,000.00	6%	9-27-33	No. 2075	Public School Per.	7-1-33	7-1-43
School District No. 15	Broadwater	Amortization Funding	4,700.00	6%	9-28-33	No. 2077	Mont.Tr. & Legacy	7-1-33	7-1-43

TABLE NO. XXI (Continued)

INVESTMENTS MADE FROM JULY 1, 1933, TO JUNE 30, 1934

By Whom Issued	County	Kind of Bond	Amount	Int. Rate	Date of Your Payment Ord.	No. of Your Payment Ord.	Fund Invested	Date of Issue	Final Due Date
School District No. 12	Sanders	Amortization Funding	$ 2,500.00	6%	9-28-33	No. 2079	Public School Per.	7-1-33	7-1-43
School District No. 11	Madison	Amortization Funding	5,650.00	6%	9-29-33	No. 2081	Public School Per.	7-1-33	7-1-43
(School District No. 6	Missoula								
(Joint School Dist. No.15	Ravalli	Amortization Funding	8,400.00	6%	9-29-33	No. 2083	Public School Per.	7-1-33	7-1-43
School District No. 25	Roosevelt	Amortization Funding	950.00	6%	9-29-33	No. 2085	Public School Per.	7-1-33	7-1-43
School District No. 26	Richland	Amortization Funding	1,300.00	6%	9-29-33	No. 2087	Public School Per.	7-1-33	7-1-43
School District No. 64	Richland	Amortization Funding	700.00	6%	9-29-33	No. 2089	Public School Per.	7-1-33	7-1-41
School District No. 113	Richland	Amortization Funding	1,090.00	6%	9-29-33	No. 2091	Public School Per.	7-1-33	7-1-43
School District No. 2	Sheridan	Amortization Funding	10,000.00	6%	9-29-33	No. 2093	Public School Per.	7-1-33	7-1-43
School District No. 31	Richland	Amortization Funding	1,200.00	6%	9-29-33	No. 2095	Soldier's Home Per.	7-1-33	7-1-43
School District No. 4	Phillips	Amortization Funding	4,000.00	6%	9-30-33	No. 2097	Public School Per.	7-1-33	7-1-43
School District No. 40	Gallatin	Amortization Funding	1,500.00	6%	9-30-33	No. 2099	Public School Per.	7-1-33	7-1-53
School District No. 58	Hill	Amortization Funding	700.00	6%	10-2-33	No. 2101	Public School Per.	7-1-33	7-1-43
School District No. 49	Musselshell	Amortization Funding	1,900.00	6%	10-2-33	No. 2103	Public School Per.	7-1-33	7-1-43
School District No. 23	Phillips	Amortization Funding	850.00	6%	10-2-33	No. 2105	Public School Per.	7-1-33	7-1-43
School District No. 3	Phillips	Amortization Funding	1,200.00	6%	10-2-33	No. 2107	Public School Per.	7-1-33	7-1-43
School District No. 19	Pondera	Amortization Funding	3,200.00	6%	10-2-33	No. 2109	Public School Per.	7-1-33	7-1-43
School District No. 7	Richland	Amortization Funding	6,400.00	6%	10-2-33	No. 2111	Public School Per.	7-1-33	7-1-43
School District No. 28	Richland	Amortization Funding	1,300.00	6%	10-2-33	No. 2113	Public School Per.	7-1-33	7-1-43
School District No. 105	Richland	Amortization Funding	675.00	6%	10-2-33	No. 2115	Public School Per.	7-1-33	7-1-40
State of Montana	.....	University Millage Warrants	37,870.11	4%	10-3-33	No. 2118	Agri. Col. Second	.....	.....
State of Montana	.....	University Millage Warrants	5,816.45	4%	10-3-33	No. 2119	Agri. Col. Morrill	.....	.....
State of Montana	.....	University Millage Warrants	20,430.29	4%	10-3-33	No. 2120	University Per.	.....	.....
State of Montana	.....	University Millage Warrants	19,639.06	4%	10-3-33	No. 2121	School of Mines Per.	.....	.....
(Joint School Dist.No.16	Jefferson								
(School District No. 31	Madison	Amortization Funding	9,500.00	6%	10-3-33	No. 2122	Public School Per.	7-1-33	7-1-43
School District No. 28	Gallatin	Amortization Funding	600.00	6%	10-3-33	No. 2124	Public School Per.	7-1-33	7-1-43
School District No. 153	Petroleum	Amortization Funding	500.00	6%	10-4-33	No. 2126	Public School Per.	7-1-33	7-1-43
School District No. 36	Phillips	Amortization Funding	2,700.00	6%	10-6-33	No. 2128	Public School Per.	7-1-33	7-1-43
School District No. 55	Hill	Amortization Funding	800.00	6%	10-6-33	No. 2130	Public School Per.	7-1-33	7-1-43
School District No. 60	Hill	Amortization Funding	625.00	6%	10-6-33	No. 2132	Public School Per.	7-1-33	7-1-43
School District No. 5	Judith Basin	Amortization Funding	1,000.00	6%	10-7-33	No. 2134	Public School Per.	7-1-33	7-1-43
School District No. 43	Musselshell	Amortization Funding	650.00	6%	10-9-33	No. 2136	Public School Per.	7-1-33	7-1-43
School District No. 30	Petroleum	Amortization Funding	970.00	6%	10-9-33	No. 2138	Public School Per.	7-1-33	7-1-43
School District No. 5	Phillips	Amortization Funding	5,700.00	6%	10-9-33	No. 2140	Public School Per.	7-1-33	7-1-43

TABLE NO. XXI (Continued)

INVESTMENTS MADE FROM JULY 1, 1933, TO JUNE 30, 1934

By Whom Issued	County	Kind of Bond	Amount	Int. Rate	Date of Our Payment Ord.	No. of Our Payment Ord.	Fund Invested	Date of Issue	Final Due Date
School District No. 6	Phillips	Amortization Funding	$ 500.00	6%	10-9-33	No. 2142	Public School Per.	7-1-33	7-1-43
School District No. 75	Sheridan	Amortization Funding	4,000.00	6%	10-9-33	No. 2144	Public School Per.	7-1-33	7-1-43
School District No. 55	Roosevelt	Amortization Funding	4,500.00	6%	10-10-33	No. 2146	Public School Per.	7-1-33	7-1-43
School District No. 56	Richland	Amortization Funding	1,600.00	6%	10-11-33	No. 2148	Public School Per.	7-1-33	7-1-43
School District No. 6	Richland	Amortization Funding	350.00	6%	10-11-33	No. 2150	Public School Per.	7-1-33	7-1-38
School District No. 19	Hill	Amortization Funding	4,950.00	6%	10-13-33	No. 2152	Public School Per.	7-1-33	7-1-43
School District No. 87	Powder River	Amortization Funding	450.00	6%	10-13-33	No. 2154	Public School Per.	7-1-33	7-1-43
School District No. 46	Sheridan	Amortization Funding	1,800.00	6%	10-13-33	No. 2156	Public School Per.	7-1-33	7-1-43
School District No. 19	Valley	Amortization Funding	1,150.00	6%	10-14-33	No. 2158	Public School Per.	7-1-33	7-1-43
School District No. 1	Gallatin	Amortization Funding	2,750.00	6%	10-17-33	No. 2160	Public School Per.	7-1-33	7-1-43
School District No. 29	Sheridan	Amortization Funding	8,500.00	6%	10-17-33	No. 2162	Public School Per.	7-1-33	7-1-43
School District No. 7	Phillips	Amortization Funding	800.00	6%	10-17-33	No. 2164	Public School Per.	7-1-33	7-1-43
School District No. 4	Daniels	Amortization Funding	700.00	6%	10-18-33	No. 2166	Public School Per.	7-1-33	7-1-43
School District No. 34	Hill	Amortization Funding	575.00	6%	10-18-33	No. 2168	Public School Per.	7-1-33	7-1-43
School District No. 36	Hill	Amortization Funding	500.00	6%	10-18-33	No. 2170	Public School Per.	7-1-33	7-1-43
School District No. 62	Hill	Amortization Funding	650.00	6%	10-18-33	No. 2172	Public School Per.	7-1-33	7-1-43
School District No. 74	Hill	Amortization Funding	600.00	6%	10-18-33	No. 2174	Public School Per.	7-1-33	7-1-43
School District No. 22	Phillips	Amortization Funding	1,100.00	6%	10-18-33	No. 2176	Public School Per.	7-1-33	7-1-43
School District No. 19	Richland	Amortization Funding	650.00	6%	10-18-33	No. 2178	Public School Per.	7-1-33	7-1-43
School District No. 27	Richland	Amortization Funding	1,400.00	6%	10-18-33	No. 2180	Public School Per.	7-1-33	7-1-43
School District No. 70	Sheridan	Amortization Funding	1,200.00	6%	10-18-33	No. 2182	Public School Per.	7-1-33	7-1-43
School District No. 12	Daniels	Amortization Funding	1,450.00	6%	10-21-33	No. 2184	Public School Per.	7-1-33	7-1-43
School District No. 8	Glacier	Amortization Funding	6,300.00	6%	10-23-33	No. 2186	Public School Per.	7-1-33	7-1-43
School District No. 1	Garfield	Amortization Funding	4,800.00	6%	10-26-33	No. 2188	Public School Per.	7-1-33	7-1-43
School District No. 92	Custer	Amortization Funding	575.00	6%	10-26-33	No. 2190	Public School Per.	7-1-33	7-1-43
School District No. 8	Custer	Amortization Funding	2,200.00	6%	10-30-33	No. 2192	Public School Per.	7-1-33	7-1-43
School District No. 50	Sheridan	Amortization Funding	1,200.00	6%	11--2-33	No. 2194	Public School Per.	7-1-33	7-1-43
School District No. 54	Richland	Amortization Funding	280.00	6%	11-2-33	No. 2196	Public School Per.	7-1-33	7-1-38
School District No. 85	Hill	Amortization Funding	650.00	6%	11-6-33	No. 2198	Public School Per.	7-1-33	7-1-43
School District No. 11	Sanders	Amortization Funding	4,900.00	6%	11-6-33	No. 2200	Public School Per.	7-1-33	7-1-43
School District No. 35	Pondera	Amortization Funding	800.00	6%	11-6-33	No. 2202	Public School Per.	7-1-33	7-1-41
School District No. 18	Roosevelt	Amortization Funding	990.00	6%	11-6-33	No. 2204	Public School Per.	7-1-33	7-1-43
School District No. 38	Sheridan	Amortization Funding	1,000.00	6%	11-6-33	No. 2206	Public School Per.	7-1-33	7-1-43
School District No. 2	Pondera	Amortization Funding	1,900.00	6%	11-10-33	No. 2208	State Normal Per.	7-1-33	7-1-43
School District No. 26	Roosevelt	Amortization Funding	700.00	6%	11-10-33	No. 2210	State Normal Per.	7-1-33	7-1-43

TABLE NO. XXI (Continued)

INVESTMENT MADE FROM JULY 1, 1933, TO JUNE 30, 1934

By Whom Issued	County	Kind of Fund	Amount	Int. Rate	Date of Our Payment Ord.	No. of Our Payment Ord.	Fund Invested	Date of Issue	Final Due Date
School District No. 13	Daniels	Amortization Funding	$ 450.00	6%	11-13-33	No. 2212	Deaf and Dumb Per.	7-1-33	7-1-43
School District No. 29	Liberty	Amortization Funding	1,550.00	6%	11-13-33	No. 2214	Deaf and Dumb Per.	7-1-33	7-1-43
School District No. 29	Liberty	Amortization Funding	2,700.00	6%	11-13-33	No. 2216	Deaf and Dumb Per.	7-1-33	7-1-43
School District No. 97	Richland	Amortization Funding	990.00	6%	11-25-33	No. 2218	Mont.Tr. and Legacy	7-1-33	7-1-43
School District No. 14	Pondera	Amortization Funding	1,600.00	6%	11-25-33	No. 2220	Public School Per.	7-1-33	7-1-43
School District No. 2	Daniels	Amortization Funding	1,700.00	6%	11-29-33	No. 2222	Public School Per.	7-1-33	7-1-43
School District No. 19	McCone	Amortization Funding	700.00	6%	12- 6-33	No. 2224	Public School Per.	7-1-33	7-1-53
School District No. 19	Hill	Amortization Funding	1,050.00	6%	12-16-33	No. 2225	State Normal Per.	7-1-33	7-1-43
School District No. 57	Hill	Amortization Funding	1,700.00	6%	12-16-33	No. 2226	Public School Per.	7-1-33	7-1-43
School District No. 82	Hill	Amortization Funding	490.00	6%	12-16-33	No. 2227	Deaf and Dumb Per.	7-1-33	7-1-43
School District No. 20	Hill	Amortization Funding	1,900.00	6%	12-16-33	No. 2228	Deaf and Dumb Per.	7-1-33	7-1-43
School District No. 19	Hill	Amortization Funding	1,250.00	6%	12-20-33	No. 2229	Public School Per.	7-1-33	7-1-43
School District No. 57	Sheridan	Amortization Funding	1,500.00	6%	12-21-33	No. 2230	Public School Per.	7-1-33	7-1-43
State of Montana	.....	University Millage Warrants	13,310.52	4%	12-28-33	No. 2231	Agri. Col. Second	.....	.....
State of Montana	.....	University Millage Warrants	22,258.07	4%	12-28-33	No. 2232	Agri. Col. Morrill	.....	.....
State of Montana	.....	University Millage Warrants	31,321.53	4%	12-28-33	No. 2233	School of Mines Per.	.....	.....
State of Montana	.....	University Millage Warrants	28,643.81	4%	12-28-33	No. 2234	University Per.	.....	.....
State of Montana	.....	University Millage Warrants	1,790.75	4%	12-28-33	No. 2235	Ryman Library Per.	.....	.....
State of Montana	.....	University Millage Warrants	1,852.50	4%	12-28-33	No. 2236	Ryman Fellowship Per.	.....	.....
School District No. 20	Rosebud	Amortization Funding	1,700.00	6%	1-3-34	No. 2237	Deaf and Dumb Per.	12-1-33	12-1-42
School District No. 76	Sheridan	Amortization Funding	962.78	6%	2-1-34	No. 2253	Deaf and Dumb Per.	7-1-33	7-1-43
School District No. 1	Fergus	Amortization Refunding	15,000.00	5½%	2-5-34	No. 2255	Public School Per.	1-1-34	1-1-44
School District No. 6	Golden Valley	Amortization Funding	3,377.25	6%	2-14-34	No. 2257	State Normal Per.	7-1-33	7-1-38
State of Montana	.....	General Fund Warrants	109,822.65	4%	2-27-34	No. 2262	Public Sch.Int.& Inc.	.....	.....
State of Montana	.....	General Fund Warrants	90,177.35	4%	3-15-34	No. 2263	Pub. Sch. Int.& Inc.	.....	.....
State of Montana	.....	General Fund Warrants	150,000.00	4%	4-11-34	No. 2271	Pub. Sch. Int.& Inc.	.....	.....
City of Anaconda	.....	Amortization Funding	20,000.00	5%	6-1-34	No. 2273	State Normal Per.	6-1-34	6-1-43
City of Anaconda	.....	Amortization Funding	22,206.95	5%	6-1-34	No. 2274	School of Mines Per.	6-1-34	6-1-43
State of Montana	.....	General Fund Warrants	100,000.00	4%	6-2-34	No. 2275	Public Sch.Int.&Inc.	.....	.....
School District No. 14	Sanders	School Amortization Building	13,675.00	5½%	6-30-34	No. 2319	School of Mines Per.	1-15-34	1-15-54
Hill County	.....	Amortization Refunding	96,800.00	4 3/4%	7-2-34	No. 2322	Public School Per.	7-1-34	7-1-44
Hill County	.....	Amortization Refunding	12,100.00	4 3/4%	7-2-34	No. 2323	Reform School Per.	7-1-34	7-1-44
Hill County	.....	Amortization Refunding	12,100.00	4 3/4%	7-2-34	No. 2324	Mont.Tr. & Legacy	7-1-34	7-1-44

TOTAL AMOUNT INVESTED $1,390,244.34

THE MONTANA TRUST AND LEGACY FUND

Article XXI of the State Constitution and Chapter 70 of the 1929 Session Laws provide among other things that the state will accept gifts, donations, grants and legacies in any amount or value of not less than $250.00 each for the benefit of scientific, educational, benevolent and charitable work; hold the same in trust, invest them safely in good securities and apply the net earnings as directed by the giver, subject to certain limitations.

Under Section 10 of this article of the Constitution, a great number of other funds may be administered as parts of the Montana Trust and Legacy Fund. This Section reads as follows:

"The State of Montana shall accept for investment and administration together with the aforesaid funds constituting the Montana Trust and Legacy Fund, but as separable parts thereof, sinking funds, permanent funds, and cumulative funds belonging to the state and its political subdivisions, and also other funds designated by the Legislative Assembly, when requested to do so by the authorities having the care and custody of such funds. All such funds and the accrued interest, less the state conpensation hereinafter fixed, shall be repaid when due. The provisions of this section shall not apply to the Public School Funds of the state, which school fund shall be administered separately as already prescribed by the constitution."

These provisions of the Constitution are more fully carried out in Chapter 70 of the 1929 Session Laws.

Under this investment plan a great number of various funds may therefore be invested and administered. In the government of a state with its numerous and increasing activities, there are likely to be many funds that should be invested and made to earn some interest. The Montana Trust and Legacy Fund and the plan for its administration appear to afford ideal arrangements for such investments.

Safe and Simple Administration

The funds are safely invested by the State Board of Land Commissioners as one common fund known and designated as the Montana Trust and Legacy Fund. This is the plan followed by every banker and investment institution throughout the civilized world. Hundreds and thousands of separate deposits and other funds subject to investment are regarded as one common fund for investment purposes irrespective of individual ownerships.

At the end of each year one-twentieth of the interest collected is paid into the State General Fund, and the remainder is apportioned to each separate fund on the basis of the amount thereof at the beginning of the year. The administration of this fund has the special safeguard of being subject to the supervision of the Justices of the Supreme Court. Important questions were submitted to the Court in February, 1932, and definitely answered by the Court on July 7, 1932. See 1930 Report, page 56.

	Income from Permanent Fund a Grant
1925	$ 850,36
1926	1,038,62
1927	1,121,13
1928	1,233,91
1929	1,340,90
1930	1,426,97
1931	1,143,84
1932	878,69
1933	744,13
1934	832,65

*There was
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Funds Constituting the Montana Trust and Legacy
on June 30, 1934

Escheated Estate Fund	$ 138,238.88
Senator Walsh Endowment Fund	5,000.00
Orphans' Home and T. B. Society	694.42
State Land Department Unclaimed Balance Fund	430.33
Total	$ 144,363.63

How Invested

County, City and School District Bonds	$ 138,646.64
Cash on Hand with State Treasurer	5,716.99
Total	$ 144,363.63

The "net earnings" for the calendar year ending December 31, 1933, was nearly five per centum.

The fund shows an increase of nearly $25,000.00 since June 30, 1932. This increase is mainly due to additional estates escheating to the State of Montana.

Noble Aspirations May Be Realized Through This Plan

It is a very common thing that people of means set aside a part of their fortune as an endowment for some form of welfare work. This aspiration for some part in the good work of the future and the desire to be remembered by posterity are fundamental traits in human nature and have shown themselves from the earliest times known to history.

The plan worked out by the State of Montana for the administration of gifts for these various and numerous purposes should have a strong appeal to these traits in human nature. In a manner, it extends the ambitions and activities of the givers into the distant future, and it makes ample provision for the remembrance of their names.

	Income from Permanent Fund as Grant
1925	$ 850,36
1926	1,038,62
1927	1,121,13
1928	1,233,91
1929	1,340,90
1930	1,426,97
1931	1,143,84
1932	878,69
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TABLE NO. XXII

COST OF ADMINISTRATION

	July 1, 1932 to June 30, 1933	July 1, 1933 to June 30, 1934
Salaries:		
Commissioner	$ 3,600.00	$ 3,600.00
Assistant Commissioner	2,400.00	2,400.00
Other Salaries	15,937.82	15,475.26
1. Official Bonds	164.49	100.00
2. Postage, stamped envelopes	705.78	1,135.60
3. Telephone and Telegraph	240.23	250.80
4. Record Books and Blanks	973.65	780.80
5. Sundry Office Supplies	322.54	220.19
6. Printing Reports	305.07	
7. U. S. Land Office Filing Fees	40.00	4.00
8. Legal Advertising For Lieu Lands	42.50	8.00
Traveling Expenses	24.50	
9. Expense of State Land Sales		
1. Advertising		150.00
2. Mileage and Expense Attending Sales		15.12
10. Advertising - Leasing Oil & Gas	20.00	33.00
11. Furniture and Equipment, Machinery & Rapairs	601.31	355.50
12. Industrial Accident Insurance		18.39
Totals	$25,377.89	$24,546.66
FIELD DIVISION		
Under Chief Field Agent		
1. Salaries	$ 9,556.20	$ 4,515.00
2. Traveling Expenses and Other Operating Expenses	6,563.99	559.96
Totals for Field Division	$16,120.19	$ 5,074.96
Total Cost for Department	$41,498.08	$29,621.62

Reductions in Appropriations and Cost of Administration

A comparison of the cost of administration between the two last fiscal years might lead to the erroneous conclusion that the expenditures for the fiscal year ending June 30, 1933, and for previous years had been unnecessarily high. Such is not the case. The 1933 Legislative Assembly failed to make any appropriation for the field service except the appropriation for the Chief Field Agent and for one stenographer. The Chief Field Agent has all the work he can possibly attend to and a little more right in the office; as a result we have had no field men during the

	Income from Permanent Fund and Grant
1925	$ 850,36[illegible]
1926	1,038,62[illegible]
1927	1,121,13[illegible]
1928	1,233,91[illegible]
1929	1,340,90[illegible]
1930	1,426,97
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1932	878,69
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last fiscal year, and the work has suffered accordingly. This accounts for the apparent "saving" during the last fiscal year.

Field Men Urgently Needed

On June 30, 1934, we had more than six thousand agricultural and grazing leases outstanding and of these 1,176 were crop share leases; there were 119 oil and gas leases in effect and a number of coal leases scattered throughout the various sections of the state. There were over three and one-third millions of dollars in outstanding sales contracts and more than four and one-fourth millions of dollars invested in state farm loans, most of them hopelessly delinquent; and the total of unsold lands was not so far below five million acres. It must be conspicuously evident to any person with some business experience that this vast and varied estate cannot be satisfactorily administered without a number of men in the field. We doubt if there is any business institution in the United States similar to this department that attempts to run its business almost solely through letters and postage stamps. Unquestionably considerable financial losses have resulted from the lack of field men.

The enactment of the Taylor Grazing Act is likely to necessitate the exchange of hundreds of thousands of acres of state lands for lands of the United States, and this will make the need of field men during the coming years even more urgently necessary.

Reduction in Salary Appropriations and Resulting Overdrafts

The reduction in appropriations for this department has not been confined to field men. The total appropriation for salaries in the Department of State Lands and Investments, exclusive of salaries for the field division, has been $22,000.00 per annum for several years, and of this appropriation the salaries of the commissioner aggregating $6,000.00 are fixed by law, leaving only $16,000.00 for salaries of all others.

The salary appropriations for each of the two fiscal years beginning with July 1, 1933, and terminating June 30, 1935, was only $17,740.00; deducting from this appropriation the salaries fixed by law in the sum of $6,000.00, leaves a balance of only $11,740.00 per annum for all other employees. This represents a cut in salaries of these employees of more than twenty-six per centum from the appropriations for previous years. It was found absolutely impossible to operate the department in a somewhat satisfactory manner on this appropriation and the salary account shows an overdraft of $3,735.26 for the fiscal year ending June 30, 1934. The expenditures for salaries are on the same basis during the present fiscal year and will therefore result in a total overdraft for salaries by June 30, 1935, of approximately $7,500.00. It will therefore be necessary to obtain a deficiency appropriation for salaries for this department for the current fiscal year in the sum of approximately $7,500.00.

Meager as the appropriations were for other operating costs of the department for the two fiscal years beginning July 1, 1933, and terminating June 30, 1935, there will be some unexpended balances in some of these accounts at the close of the two year period. We estimate these unexpended balances to aggregate about $3,500.00, including unexpended balance in the expense account of the chief field agent. There is an appropriation of $2,000.00 per annum for travelling and other expenses for the chief field agent, but as no appropriation was made for field men,

	Income from Permanent Fund and Grant
1925	$ 850,36[illegible]
1926	1,038,62[illegible]
1927	1,121,13[illegible]
1928	1,233,91[illegible]
1929	1,340,90[illegible]
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there will be a considerable balance in this account at the end of the fiscal year. If the Legislative Assembly would authorize the transfer of all these unexpended balances to the salary account of the commissioner, assistant commissioner and others, a deficiency appropriation of about $4,000.00 would enable the department to operate in the ordinary manner to the end of the fiscal year.

The appropriations heretofore made for salaries will be exhausted before the end of February 1935, and it will be impossible to operate the department unless a deficiency appropriation is made.

The work of the last year and a half in this department has been particularly heavy. The enactment of Chapter 42 of the 1933 Session Laws practically cutting in two grazing rentals on state lands has resulted in the cancellation of the bulk of the old leases and the issue of new ones.

The Agricultural Adjustment Act approved by the President May 12, 1933, and embracing the Domestic Allotment Plan in regard to wheat, has greatly added to our work. It has required the almost constant work of our accountant and considerable help from other clerks; but this has been a paying business for the department. Up to June 30, 1934, this department received from this source $22,852.09 from adjustment payments applying to the 1933 crop. This represents twenty cents per bushel and there is about eight cents per bushel yet unpaid which should bring more than $9,000.00 additional, making the total adjustment payments coming to this department for one year just about $32,000.00, being approximately $4,000.00 more than the total appropriation for this department including the field division for the current fiscal year.

A Revenue Producing Department

During the last nine fiscal years the total earnings of this department have amounted to more than $11,800,000.00, an average of more than $1,300,000.00 per annum. It would appear to be the part of wisdom, particularly during these hard times, to make sufficient appropriations for this revenue producing department to enable it to function with a fair degree of efficiency.

	Income from Permanent Fund and Grant
1925	$ 850,36[illegible]
1926	1,038,62[illegible]
1927	1,121,13[illegible]
1928	1,233,91[illegible]
1929	1,340,90[illegible]
1930	1,426,97[illegible]
1931	1,143,84[illegible]
1932	878,69[illegible]
1933	744,13[illegible]
1934	832,65[illegible]

*There was
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TABLE NO. XXIII

RECEIPTS FROM STATE LANDS AND THE PERMANENT FUNDS BY YEARS

Prior to 1896	$ 172,190.71
During 1896	38,185.23
1897	101,755.98
1898	126,833.71
1899	200,195.20
1900	200,275.25
1901	293,335.75
1902	363,584.63
1903	388,279.13
1904	389,812.60
1905	357,790.52
1906	651,352.62
1907	829,480.06
1908	805,105.35
1909	434,429.96
1910	826,836.01
1911	695,771.74
1912	1,306,892.75
1913	1,223,857.96
1914	1,122,205.27
1915	1,219,602.97
1916	1,657,639.21
1917	1,812,812.29
1918	1,828,712.43
1919	2,265,728.95
1920	1,770,070.57
1921 (Dec. 1, 1920, to June 30, 1921)	699,653.74
1922	1,290,891.25
1923	1,408,325.48
1924	1,183,456.66
TOTAL	$25,663,054.98

	Income	Receipts For Permanent Funds	Totals
July 1, 1924 -- June 30, 1925	$1,101,763.73	$ 360,994.55	$1,462,758.28
July 1, 1925 -- June 30, 1926	1,276,841.10	645,211.40	1,922,052.50
July 1, 1926 -- June 30, 1927	1,403,869.20	697,056.60	2,100,920.80
July 1, 1927 -- June 30, 1928	1,583,485.78	703,791.39	2,287,277.17
July 1, 1928 -- June 30, 1929	1,588,916.71	745,245.45	2,334,162.16
July 1, 1929 -- June 30, 1930	1,536,964.63	563,716.54	2,100,681.17
July 1, 1930 -- June 30, 1931	1,314,364.67	344,701.33	1,659,066.00
July 1, 1931 -- June 30, 1932	1,020,005.16	255,130.44	1,275,135.60
July 1, 1932 -- June 30, 1933	992,896.98	173,472.02	1,166,369.00
July 1, 1933 -- June 30, 1934	1,085,334.20	238,733.90	1,324,068.10
GRAND TOTAL			$43,225,548.76

This table shows the receipts both for the income funds and for the permanent funds belonging to the public schools and the state institutions of learning for

	Income from Permanent Fund and Grant
1925	$ 850,36[illegible]
1926	1,038,62[illegible]
1927	1,121,13[illegible]
1928	1,233,91[illegible]
1929	1,340,90[illegible]
1930	1,426,97[illegible]
1931	1,143,84[illegible]
1932	878,69[illegible]
1933	744,13[illegible]
1934	832,65[illegible]

*There was This table apportionments m permanent funds as shown in the Chapter 67 crude oil produc of such tax. At the gene mines, and 50% o these sources. Chapter 119 school income f the State Board further provide As a result that the income The apportio apportionment is the budget of the

which federal land grants were made and also the receipts for the Capitol Building Fund. For the last ten fiscal years the income has been separated from the receipts belonging to the permanent funds, but the receipts for the permanent funds for these ten fiscal years do not include repayments on bonds, warrants and other investments; only the original receipts for these permanent funds are here shown except that they do include ropayments on state farm mortgages; Table No. X of this report does not include repayments on mortgages. For an itemized statement of all receipts both for the income funds and the permanent funds see Tables numbered I, II, V and VI.

TABLE NO. XXIV

ANNUAL APPORTIONMENT OF THE INCOME FROM THE PUBLIC SCHOOL PERMANENT FUNDS, ETC., TO THE SCHOOL DISTRICTS OF THE STATE

YEAR IN WHICH APPORTIONED	Amount Apportioned	Number of Persons of School Age	Amount Per Capita
1889 to 1896	$ 51,027.60	39,252	$1.30
1897	17,731.56	42,218	.42
1898	28,630.98	46,179	.62
1899	41,561.52	49,478	.84
1900	80,428.50	53,619	1.50
1901	105,842.20	57,212	1.85
1902	138,905.00	61,736	2.25
1903	168,019.80	64,623	2.60
1904	169,786.65	66,583	2.55
1905	183,366.75	69,195	2.65
1906	205,360.60	70,814	2.90
1907	217,494.00	72,498	3.00
1908	227,071.90	73,249	3.10
1909	250,380.00	77,040	3.25
1910	305,793.75	81,545	3.75
1911	266,415.00	88,805	3.00
1912	345,404.50	98,687	3.50
1913	419,096.00	104,774	4.00
1914	513,144.00	114,032	4.50
1915	632,085.00	126,417	5.00
1916	713,291.25	135,865	5.25
1917	810,991.50	147,453	5.50
1918	877,536.00	159,552	5.50
1919	890,873.50	161,977	5.50
1920	969,756.00	161,625	6.00
1921	954,418.20	156,426	6.10
1922	785,082.80	160,211	4.90
1923	936,794.40	160,410	5.84
1924	892,363.54	157,745	5.67
1925	$ 850,36[illegible]	[illegible]	[illegible]
1926	1,038,6[illegible]	[illegible]	[illegible]
1927	1,121,1[illegible]	[illegible]	[illegible]
1928	1,233,91[illegible]	[illegible]	[illegible]
1929	1,340,9[illegible]	[illegible]	[illegible]
1930	1,426,9[illegible]	[illegible]	[illegible]
1931	1,143,8[illegible]	[illegible]	[illegible]
1932	878,6[illegible]	[illegible]	[illegible]
1933	744,1[illegible]	[illegible]	[illegible]
1934	832,6[illegible]	[illegible]	[illegible]

*There wa[illegible] This table apportionments [illegible] permanent funds as shown in the [illegible] Chapter 67 crude oil produ[illegible] of such tax. At the gen[illegible] mines, and 50% these sources. Chapter 11 school income the State Boar[illegible] further provid[illegible] As a resul[illegible] that the income [illegible] The apport[illegible] apportionment i[illegible] the [illegible] of th[illegible]

TABLE NO. XXIV (Continued)

ANNUAL APPORTIONMENT OF THE INCOME FROM THE PUBLIC SCHOOL PERMANENT FUNDS, ETC., TO THE SCHOOL DISTRICTS OF THE STATE

	Income from Permanent Fund and Grant	25% of Oil Tax	50% of Metals Mines Tax	Total	Less 5% Added to Permanent Fund	Amount Apportioned	Number of Persons of School Age	Amount Per Capita
1925	$ 850,360.89	$ 10,917.67	$.....	$ 861,278.56	$ 43,063.93	$ 818,214.63	157,872	$ 5.18
1926	1,038,624.11	26,878.08	187,093.64	1,252,595.83	62,629.79	1,189,966.04	156,383	7.61
1927	1,121,130.17	41,190.62	202,860.30	1,365,181.09	68,259.05	1,296,922.04	154,458	8.3966
1928	1,233,910.50	.....	.....	1,233,910.50	61,695.53	1,172,090.55	152,119	7.70509
1929	1,340,903.71	.....	.....	1,340,903.71	67,045.19	1,273,858.52	157,747	8.0753264
1930	1,426,973.50	.....	.....	1,426,973.50	71,348.68	*1,355,624.82	160,846	8.4280915
1931	1,143,847.76	.....	.....	1,143,847.76	57,192.39	1,086,655.37	160,836	6.75629448
1932	878,693.71	.....	.....	878,693.71	43,934.69	834,759.02	161,372	5.17288638
1933	744,133.56	.....	.....	744,133.56	37,206.68	706,926.88	161,909	4.36619879
1934	832,656.52	.....	.....	832,656.52	41,632.83	791,023.69	162,099	4.87988014

*There was a balance of $124.42 not apportioned.

This table shows the amount of money actually apportioned by the state to the school districts of the various counties. The apportionments made up to and including the year 1923 undoubtedly represented almost exclusively the income from the public school permanent funds and grant. The apportionments made in 1925, 1926 and 1927 include certain receipts from oil tax and metals mines tax as shown in the table.

Chapter 67 of the Session Laws of 1923 provides for the levy and collection of an oil license tax of 2% of the gross value of the crude oil produced within the State and further provides that the State Treasurer shall annually transfer to the school income fund 25% of such tax.

At the general election in 1924 the people of the State adopted Initiative Measure No. 28 providing for a license tax on metalliferous mines, and 50% of this tax was to go to the public school income fund. The foregoing table shows how much has been derived from each one of these sources.

Chapter 119 of the 1927 Session Laws provides that such proceeds from these license taxes shall no longer become a portion of the public school income fund, but shall be transferred to a fund to be known as the State Common School Equalization Fund. By the terms of the act the State Board of Education is declared to be the Common School Equalization Board, to administer and distribute the equalization fund as further provided in the act. This distribution is entirely separate from the apportionment of the public school income fund.

As a result the apportionment made in 1928 is more than $100,000.00 less than the apportionment made in 1927, notwithstanding the fact that the income through this department apportioned in 1928 was by far the largest income ever received during any year in its history.

The apportionment of the income is governed by Section 5 of Article XI of the State Constitution and various statutory provisions. The apportionment is usually made in March of each year, and includes the collections for the last previous calendar year. It is calculated on the basis of the number "of children and youths between the ages of six and twenty-one residing" in each school district.

TABLE NO. XXV

INCOME OF THIS DEPARTMENT AND OTHER MONEY APPORTIONED TO THE COUNTIES OF THE STATE
IN THE YEARS 1926 TO 1934 INCLUSIVE
(The rate is the amount per census person)

NAME OF COUNTY	1926 Rate $7.61 Amount	1927 Rate $8.3966 Amount	1928 Rate $7.70509 Amount	1929 Rate $8.0753264 Amount	1930 Rate $8.4280915 Amount	1931 Rate $6.75629443 Amount	1932 Rate $5.17288638 Amount	1933 Rate $4.36619879 Amount	1934 Rate $4.87988014 Amount
Beaverhead	$ 13,826.11	$ 13,174.27	$ 11,318.77	$ 12,589.43	$ 12,810.70	$ 10,445.23	$ 8,245.58	$ 7,221.69	$ 7,749.25
Big Horn	21,762.61	23,359.34	21,443.26	22,901.63	23,286.82	19,005.46	15,177.25	13,124.79	14,951.95
Blaine	17,897.09	19,396.15	17,675.48	20,018.73	22,106.88	19,093.29	14,685.82	12,448.03	14,156.53
Broadwater	5,798.36	6,498.97	5,694.06	6,355.28	6,599.20	5,107.76	4,065.89	3,562.81	3,928.30
Carbon	39,469.46	42,839.45	36,576.06	37,485.67	37,269.02	29,180.44	22,931.41	18,831.42	20,597.98
Carter	9,405.11	10,932.38	9,169.06	9,601.56	10,484.55	8,499.42	6,616.12	5,728.45	6,319.45
Cascade	80,559.68	89,297.84	80,795.55	89,547.29	99,114.35	76,515.03	58,463.90	49,573.82	54,396.02
Chouteau	19,046.09	20,798.38	18,800.42	20,753.59	22,005.75	17,796.08	13,196.03	11,356.48	12,541.29
Custer	22,531.15	23,065.46	22,514.28	24,613.59	27,121.60	22,761.96	16,698.08	14,168.32	15,317.94
Daniels	14,115.27	16,121.48	14,254.42	15,892.24	16,704.48	13,181.53	9,600.88	8,243.38	9,457.21
Dawson	21,557.16	23,216.60	20,857.68	23,103.51	25,570.83	20,181.05	15,182.42	12,819.16	14,542.04
Deer Lodge	31,449.25	34,913.06	32,107.11	35,733.32	38,137.11	29,410.15	20,065.63	16,172.40	17,699.33
Fallon	11,140.03	12,460.55	10,933.52	11,886.88	12,861.27	10,783.05	8,328.35	7,073.24	7,695.57
Fergus	42,672.97	45,820.24	41,360.93	43,203.00	43,505.81	33,389.60	25,900.64	21,909.59	24,706.83
Flathead	41,196.77	46,651.51	42,378.00	45,956.68	49,582.46	41,024.22	32,196.04	27,585.64	30,704.21
Gallatin	35,862.65	40,278.49	37,577.72	40,029.39	43,488.95	35,004.36	27,266.28	22,909.46	25,658.41
Garfield	10,082.34	11,243.05	9,654.48	10,497.92	11,420.06	9,141.27	6,874.77	5,737.19	6,558.56
Glacier	14,663.14	15,424.55	13,098.65	14,955.50	15,861.67	12,891.01	10,459.58	8,789.16	10,603.98
Golden Valley	6,178.77	6,163.10	5,355.04	6,121.10	6,169.36	4,749.67	3,496.87	2,820.56	3,171.92
Granite	6,247.25	6,540.95	6,063.90	6,637.92	6,776.18	5,418.55	4,288.32	3,527.89	3,801.43
Hill	27,111.95	31,134.59	27,969.48	31,251.51	34,243.34	27,788.64	20,407.04	17,215.92	19,148.65
Jefferson	9,024.65	10,075.92	8,883.97	9,181.65	9,355.18	7,175.18	5,493.60	4,872.68	5,211.71
Judith Basin	14,290.28	14,341.39	13,052.42	13,703.83	13,990.63	10,749.26	7,780.02	6,606.06	7,178.30
Lake	23,619.28	25,567.65	23,477.41	26,543.60	28,748.22	25,315.84	20,463.94	17,386.20	21,251.88
Lewis and Clark	36,555.09	38,834.27	34,803.89	36,896.17	38,912.50	31,619.46	25,016.08	20,647.75	23,277.03
Liberty	5,197.17	5,449.39	4,985.19	5,652.73	6,287.36	4,972.63	3,864.15	3,204.79	3,606.23
Lincoln	19,609.18	19,152.64	16,488.89	16,748.23	17,833.84	13,803.11	10,919.96	9,348.03	10,335.59
McCone	9,793.19	10,134.69	9,215.29	10,724.03	12,633.70	10,674.95	8,090.39	7,343.95	8,056.68
Madison	13,232.59	14,677.26	12,975.37	13,905.71	14,091.77	11,485.70	8,737.00	7,566.62	8,139.64
Meagher	4,428.63	4,609.74	4,337.97	4,602.94	4,669.16	3,776.77	2,834.74	2,327.18	2,561.94
Mineral	4,177.52	4,357.84	3,790.90	3,884.23	3,758.93	3,202.48	2,446.78	1,956.06	2,298.42
Missoula	43,289.32	47,415.60	42,786.36	47,014.55	49,430.76	40,632.35	31,511.48	26,083.68	29,586.71
Musselshell	20,704.92	22,570.00	19,771.20	21,698.40	21,567.48	16,701.56	12,451.14	10,234.37	10,994.37
Park	23,619.28	25,651.61	22,891.83	24,500.54	24,846.01	19,532.45	15,875.59	13,635.64	15,352.10
Petroleum	5,821.13	5,793.60	4,969.78	5,248.90	5,259.13	4,047.02	2,984.76	2,602.25	2,898.65
Phillips	19,715.71	21,747.19	19,624.86	21,367.31	22,696.85	17,444.75	13,765.05	11,496.20	12,580.33
Pondera	15,180.57	16,650.46	14,269.83	17,076.89	18,297.38	14,688.18	11,499.33	9,631.83	10,696.70
Powder River	7,982.17	8,967.57	8,182.81	9,149.35	9,641.74	8,033.23	6,248.85	5,510.14	6,207.21
Powell	11,010.07	12,754.44	11,234.02	12,048.39	13,040.68	9,985.80	8,209.37	6,632.26	7,895.65

TABLE NO. XXV (Continued)

INCOME OF THIS DEPARTMENT AND OTHER MONEY APPORTIONED TO THE COUNTIES OF THE STATE

IN THE YEARS 1926 TO 1934 INCLUSIVE

(The rate is the amount per census person)

NAME OF COUNTY	1926 Rate $7.61 Amount	1927 Rate $8.3966 Amount	1928 Rate $7.70509 Amount	1929 Rate $8.0753264 Amount	1930 Rate $8.4280915 Amount	1931 Rate $6.75629443 Amount	1932 Rate $5.17288638 Amount	1933 Rate $4.36619879 Amount	1934 Rate $4.87988014 Amount
Prairie	$ 10,310.62	$ 11,268.24	$ 9,746.93	$ 10,772.49	$ 11,175.65	$ 8,884.53	$ 6,848.90	$ 5,680.42	$ 6,007.13
Ravalli	22,333.31	25,550.85	23,369.54	24,993.14	25,891.10	21,775.54	16,548.06	14,390,99	16,254.88
Richland	25,141.14	28,456.08	24,324.97	26,269.04	27,644.14	23,288.95	18,306.84	15,369.02	17,772.52
Roosevelt	25,864.03	28,758.35	26,312.89	29,894.86	33,080.26	27,991.33	21,974.42	18,425.36	21,251.88
Rosebud	15,888.23	17,145.86	15,179.03	17,289.27	18,288.95	15,228.69	11,463.12	9,889.44	10,794.29
Sanders	11,824.87	12,628.49	11,280.25	11,620.39	12,633.70	9,620.96	7,867.96	6,977.19	7,920.05
Sheridan	24,623.71	27,322.54	26,266.66	27,876.03	29,085.34	23,072.75	17,603.33	15,198.74	16,630.63
Silver Bow	111,674.10	112,993.04	106,129.91	115,170.31	125,224.58	95,452.92	70,827.16	60,179.33	67,527.78
Stillwater	15,728.44	17,431.34	16,234.63	16,441.37	16,763.47	13,377.46	10,175.07	8,588.31	9,559.69
Sweet Grass	9,047.47	10,151.49	9,022.66	9,528.89	9,903.00	7,823.79	5,690.18	4,881.41	5,319.07
Teton	13,148.89	15,164.26	14,354.58	15,981.07	16,771.90	13,370.71	9,890.56	8,509.72	9,218.09
Toole	10,447.58	12,225.45	12,235.68	13,041.65	14,007.49	11,857.30	8,845.64	7,793.66	8,534.91
Treasure	4,436.24	4,676.91	3,729.26	3,884.23	4,239.33	3,418.68	2,741.63	2,344.65	2,654.65
Valley	24,463.92	29,841.51	27,761.44	31,235.36	33,636.51	26,363.06	19,931.13	16,958.32	18,914.42
Wheatland	9,854.06	10,428.58	8,930.20	9,294.70	9,852.44	7,756.23	5,990.20	4,977.47	5,402.03
Wibaux	8,339.81	8,606.51	7,335.24	7,687.71	8,124.68	6,560.36	5,022.87	4,235.21	4,601.73
Yellowstone	67,415.12	76,190.75	68,536.76	73,194.76	79,114.57	65,603.62	52,892.76	44,622.55	50,823.95
TOTALS	$1,189,966.04	$1,296,922.04	$1,172,090.55	$1,273,858.52	$1,355,624.82	$1,086,655.37	$ 834,759.02	$ 706,926.88	$ 791,023.69

TOTAL OF ALL APPORTIONMENTS FOR THE NINE YEARS $9,707,826.93

LEGISLATION RELATING TO THIS DEPARTMENT

A. Laws Recently Enacted -- National and State

1. Patents to Sections 16 and 36

The report of this department for the two year period terminating June 30, 1932, contains information in regard to the attempts being made to obtain legislation authorizing the Secretary of the Interior to issue patents to the various states to "numbered school sections in place". Originally it was sought to obtain this legislation as an amendment to the bill of the late Senator T. J. Walsh, amending Section 11 of the Enabling Act, which was approved by the President on May 7, 1932, printed inside the first cover of this report; but the amendment was rejected in the House of Representatives. Senator Walsh and Congressman Evans reintroduced this amendment as a separate bill, but owing to the pressure of other legislation in Congress, it failed of enactment. Senator J. E. Erickson reintroduced the bill on May 20, 1933 -- S-1825. It was finally enacted into law by the approval of the President on June 21, 1934, and reads as follows:

"(Public--No. 440--73d Congress)
(S. 1825)

AN ACT

Authorizing the Secretary of the Interior to issue patents to the numbered school sections in place, granted to the States by the Act approved February 22, 1889, by the Act approved January 25, 1927 (44 Stat. 1026), and by any other Act of Congress.

BE IT ENACTED BY THE SENATE AND HOUSE OF REPRESENTATIVES OF THE UNITED STATES OF AMERICA IN CONGRESS ASSEMBLED, That the Secretary of the Interior shall upon the application by a State cause patents to be issued to the numbered school sections in place, granted for the support of common schools by the Act approved February 22, 1889, by the Act approved January 25, 1927 (44 Stat. 1026), and by any other Act of Congress, that have been surveyed, or may hereafter be surveyed, and to which title has vested or may hereafter vest in the grantee States, and which have not been reconveyed to the United States or exchanged with the United States for other lands. Such patents shall show the date when title vested in the State and the extent to which the lands are subject to prior conditions, limitations, easements, or rights, if any. In all inquiries as to the character of the land for which patent is sought the fact shall be determined as of the date when the State's title attached.

Approved, June 21, 1934."

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The report of the Acting Secretary of the Interior on the pending bill gives some indication of the necessity and importance of this legislation, and the following is quoted from his report:

"Mineral lands, as a rule, were excepted from the original grants to the States of certain specified sections for the use of schools. By the act of January 25, 1927 (44 Stat. 1026), as amended by the act of May 2, 1932 (47 Stat. 140), these grants to the States of certain sections of land for school purposes were extended

to embrace such sections that were of mineral character, with certain exceptions as therein provided.

There has been no provision of law whereby the States may be given evidence of title to such school section lands, either by United States patent or other formal instrument of conveyance, the statute making the grant operating as a conveyance as well, with respect to lands of the character and status subject to the grant.

The need of the legislation along the lines proposed by the bill under consideration has long been manifest, in order to do away with the uncertainty of title in and to these school section lands. It might appear that the grant of mineral lands made by the act of January 25, 1927, would do away with this uncertainty of title to a great extent, but this is not the case, inasmuch as it is necessary to ascertain the character of the land at the date when title would otherwise attach in order to know whether or not title vested in the State, either under the grant of nonmineral lands made by the original granting act or under the grant of mineral lands made by the act of January 25, 1927.

In the absence of some provision by which the known condition of the specified sections, at the time when the grant takes effect, can be ascertained and adjudicated, and evidence of title issued accordingly, the title of the State must remain in doubt and be subject to attack.

The urgent need of legislation such as that proposed by the bill under consideration is beyond question, and I earnestly recommend that the bill be enacted into law.

Oscar L. Chapman
Acting Secretary of the Interior."

In obtaining this legislation Senator J. E. Erickson has rendered a most valuable service of enduring value to the State of Montana and the other states to which lands of the United States have been granted for the support of their schools.

The present commissioner of this department takes some pride in having initiated the movement for the enactment of this legislation. The bill was originally written by him, Mr. E. C. Finney, then Solicitor of the Department of the Interior, and Thomas C. Havell, Assistant Commissioner of the General Land Office. It was thereupon most carefully scrutinized, amended and approved by Senator T. J. Walsh.

Applications for patents to Sections 16 and 36 will be promptly made. It is quite likely that it will take several years before all the patents to these sections are issued.

2. The Taylor Grazing Act

On March 11, 1932, Senator T. J. Walsh introduced a bill proposing to grant to the public land states subject to certain terms, conditions and exceptions, "all the unappropriated and unreserved public lands, including the minerals therein; also all lands withdrawn or reserved on account of coal, oil, gas, oil shale, phosphate, potash, or other valuable minerals contained or supposed to be contained therein; also all lands restored to the public domain through the cancellation of

homestead entries or other entries, rights or claims; also all lands eliminated in any manner from national parks or monuments, national forests, Carey Act withdrawals, and lands reserved for reclamation purposes or withdrawn or reserved for other purposes, but only when and to the extent that these lands in any manner become eliminated from such parks, reservations, and withdrawals as hereafter provided in this act; also all minerals, including coal, oil and gas, and mineral rights, and other rights connected therewith, which have been reserved by the United States in the lands to which the title has passed from the United States under the homestead laws or other laws of the United States subject to mineral reservations".

The plan was that these lands and resources should be administered by the state land departments of the various states and the proceeds from the sale and other disposition of the lands should constitute permanent funds for the support of schools and for other public purposes. The enactment of this legislation would have been of vast and enduring value to the State of Montana and to the other states of the West.

The Walsh Bill is quite fully discussed in the 1932 report of this department beginning on Page 94. It failed of enactment but was reintroduced with certain important changes relating to reclamation by Senator J. E. Erickson, also by the late Senator Kendrick of Wyoming and by his successor Senator O'Mahoney. The Secretary of the Interior was opposed to these sweeping grants of public lands to the states and supported a bill introduced by Representative Taylor of Colorado which was finally enacted into law by the signature of the President on June 28, 1934, Public No. 482. The following is quoted from a statement of the President on approval of the act:

"It authorizes the Secretary of the Interior to provide for the protection, orderly use, and regulation of the public ranges, and to create grazing districts with an aggregate area of not more than 80 million acres. It confers broad powers on the Secretary of the Interior to do all things necessary for the preservation of these ranges, including, amongst other powers, the right to specify from time to time the number of livestock which may graze within such districts and the seasons when they shall be permitted to do so. The authority to exercise these powers is carefully safeguarded against impairment by State or local action. Creation of a grazing district by the Secretary of the Interior and promulgation of rules and regulations respecting it will supersede State regulation of grazing on that part of the public domain included within such district."

Roughly speaking there is approximately six million acres of unreserved public lands of the United States within the boundaries of the State of Montana. Intermingled with there lands there are approximately five million acres of state lands, including the so-called mortgage lands. The administration contemplated by the Taylor Grazing Act is not likely to be fully in line with the administration that must be given to the state owned lands under the requirements of the Enabling Act and the mandates of the Constitution. The lands granted to the State of Montana are to be sold, the proceeds from these sales to constitute permanent funds for our schools and various state institutions.

It is likely that the administration of grazing districts under the Taylor Grazing Act will be such as to remove the incentive to purchase the state owned lands within these districts. If so, the enactment of the Taylor Grazing bill would result in a material and permanent impairment of the value of the lands already granted to the State of Montana. To some extent it would tend to defeat the very

end and purpose for which the Federal land grants were made to our state.

In order to prevent this result, it will probably be necessary for the State of Montana to endeavor to exchange state lands within such grazing districts for other lands of the United States so that the state owned lands may be consolidated into somewhat compact bodies of considerable size.

The Taylor Grazing bill makes provision for exchanges of this kind and it is hoped that the Secretary of the Interior will work out exchange regulations under which these exchanges may be effected with the least possible work, trouble and expense to the states. The ideal arrangement would appear to be to exchange numerous tracts including hundred of thousands of acres in one single transaction.

I regard this exchange problem as the most important business now before this department.

3. State Laws Recently Enacted

Chapter 42 of the 1933 Session Laws which practically speaking reduces grazing rentals on state lands to one-half of the former rates has already been discussed under the heading "Additional Information in Regard to Leasing and Rentals".

The 1933 Session of the Legislative Assembly also enacted Chapter 186, making very important amendments to Sections 48, 49 and 50 of Chapter 60 of the 1927 Session Laws dealing with mineral prospecting permits and mineral leases on state lands. This new legislation provides among other things "that all such leases shall be on a royalty basis and that the royalty shall be three per centum of the values of the ores, metals, precious stones, or other valuable minerals after mill and smelter treatment".

The Enabling Act and the Constitution provide "that none of such lands, nor any estate or interest therein, shall ever be disposed of except in pursuance of general laws providing for such disposition, nor unless the full market value of the estate or interest disposed of, to be ascertained in such manner as may be provided by law, has been paid or safely secured to the state".

It appears quite obvious that three per centum of the values of the minerals mined will not in all cases represent the full market value; and for these reasons this amendment to the statutes governing the issue of mineral prospecting permits and mining leases has been ignored. All prospecting permits issued by this department have provided for a minimum royalty of five or ten per centum. On April 11, 1934, the Board granted its secretary authority to issue mineral prospecting permits; "but all such permits shall provide that in case mining leases are issued the royalty to be paid to the state shall not be less than ten per centum of the value of the ore, metals, precious stones and other valuable minerals at the mouth of the mine".

Numerous prospecting permits have been issued under these regulations fixing the minimum royalty at ten per centum.

It is hoped that this legislation in regard to prospecting permits and mining leases on state lands will be clarified and improved at the coming session of the Legislative Assembly in full accordance with the Enabling Act and the Constitution.

As already related in this report, the statutes providing for the investment of permanent school funds and other permanent trust funds in state farm mortgage loans was repealed by Chapter 139 of the 1933 Session Laws.

B. New Legislation Needed

1. State Farm Loans

Plan of Repayment to the School Fund

The introductry letter to this report addressed to Governor F. H. Cooney makes reference to the condition of the State Farm Loans and urges the enactment of legislation acknowledging the state's indebtedness to the Public School Permanent Fund and making provision for its repayment. On June 30, 1934, the amount actually invested in these loans, not including accrued interest, amounted to $4,270,562.27. Table No. XIII shows the condition of these farm loans in detail and additional information follows the table. The report of this department for 1928, 1930 and 1932 proposes a plan designed to bring this settlement about, and this plan is again recommended. It proposes that the state shall acknowledge itself indebted for the exact amount invested in State Farm Loans and remaining unpaid not including accrued interest. It further proposes that the state itself shall take over the farm loans, all the lands to which the state has taken title under these loans, and all rights andequities whatsoever arising in connection therewith. It is proposed that the state shall pay interest on the amount invested in such loans at the rate of four per centum per annum, and both the interest and the principal are to be repaid from the loans and assets taken over by the state as far as that can be done, and as rapidly as the collections will permit. It also makes specific provision for the payment of foreclosure expenses and other necessary costs in connection with these loans.

It is now very obvious that the state will suffer considerable losses on these investments and for this reason the Legislative Assembly should provide additional funds from some other source than the loans themselves for the liquidation of this indebtedness. As the State General Fund is already overdrawn, the required money should not come from that source; some specific revenue should be designated.

Legal Assumption Involved

The proposed bill assumes that under the plain provision of Section 3 of Article XI of the Constitution the state is liable for the safe-keeping of the Public School Permanent Fund. The liability for the repayment of the amount invested in farm loans is therefore created by the Constitution itself and not by the proposed act. For these reasons the taking over of the farm loans on the part of the state does not constitute a violation of Section 2 of Article XIII of the Constitution. It cannot be unconstitutional to carry into effect the provisions of the Constitution. The entire plan rests on this basic assumption; if this assumption is erroneous, the whole measure will fall.

Simple and Advantageous to Both Parties

The proposed bill insures to the Public School Fund interest at the fixed rate of four per centum per annum on the actual investment. Under the present condition of the loans it is often difficult to calculate what part of a collection is interest and what part is principal for the reason that when loans are foreclosed and lands resold, unpaid interest on the original loan is included in the principal

of the thirty-three-year amortization contract. Unless a settlement along the lines proposed is adopted this condition will become more and more complex as the years go by.

It would fix the amount of the loans so permanently that the numerous changes in the various assets representing the loans through foreclosure proceedings, payment of taxes, sales, cancellation of sales contracts and resales would never bring into doubt the actual and exact amount of the investment.

By permitting the state to apply the collections from time to time made on interest and principal it would enable the state to extinguish the principal just as fast and just as slow as the collections permitted. Probably no better repayment plan could be devised for the state. If we do not take care of this obligation in this manner, it is likely someday to lead to another bond issue, resulting in increased tax burdens.

Taken as a whole it is thought that the proposed bill embodies a simple, honest and workable plan of settlement. It should also give to the officers and people of the state the satisfaction of knowing that they have endeavored to discharge with fidelity the sacred trust assumed by them of safekeeping the Public School Permanent Fund.

2. Reservation of Oil and Gas in "Mortgage Lands"

The term "mortgage lands" applies to lands to which the state has found it necessary to take title in connection with its farm loan business. When Chapter 60 of the 1927 Session Laws was written it reserved from sale coal, oil and gas and other minerals in state lands including mortgage lands (Section 65). In the case of mortgage lands, however, the purchaser of the land was entitled to receive a royalty of one per centum on all oil and gas produced, the royalty to be paid directly to him by the producer. The additional exception was also made that if the land was repurchased by the original mortgagor or any one claiming under him through the redemption period, then the oil and gas reservations would not apply; all rights that passed with the land from the mortgagor to the state went back to the purchaser. But in 1929 the Legislature so amended this section that no mineral reservations whatever applies to mortgage lands, no matter who became the purchaser -- Chapter 28. Coal, oil and gas would thus be sold outright together with the land in which it was found.

It is believed that this is bad legislation. The state will suffer very considerable losses in connection with its farm loan business, and every reasonable means should be used for keeping these losses down as low as possible. The discovery of oil or gas in large quantities in one single tract of mortgage land might do considerable towards reimbursing the state for its losses. This would benefit all the taxpayers of the state. It is therefore recommended that this section be re-amended approximately to its original form. This legislation was also recommended in the 1932 report.

3. Proposed Amendment of Section 2, Article XVII of the State Constitution

Under the provisions of this section of the Constitution as it now stands, all state lands within the limits of any town or city, or within three miles of such limits, "shall be sold in alternate lots of not more than five acres each." The

Supreme Court of the state has defined the meaning of the words "town or city" as here used, and under this definition it appears that any platted townsite with a post office and a few places of business and residences constitutes a town or city.

Considering the great number of such towns or cities now found within the boundaries of the state, it will readily be seen that these provisions for selling all state lands within three miles of their limits in alternate lots of not more than five acres each, constitute a serious difficulty in the sale of lands. At the present time the effect of these provisions is directly opposite to what was intended. It deters people from bidding on lands so situated. These provisions of the Constitution should therefore be amended.

4. The Unified Investment Plan
Proposed Amendment of Article XXI of the State Constitution

In addition to the investment of the Public School Permanent Fund, this department is also charged with the investment of eleven other funds belonging mainly to the educational institutions of the state. On June 30, 1934, the total of these investments and the cash on hand exceeded seventeen million dollars. There is also a considerable number of more or less permanent funds subject to investment under the administration of various state boards and officers. With the exception of the funds invested through this department as part of the Montana Trust and Legacy Fund, each one of these various funds must be separately invested. Obviously this has its difficulties. It is not an easy matter to find investments of the right kind and in the right amount for the dribbling additions to the various funds nor for the repayments from time to time made. Unless close and constant attention is given to each separate fund, the investment of the smaller funds will not be made at all for considerable periods of time.

Article XXI of the State Constitution, of which the present commissioner is the author, points the way toward the investment of all these various and numerous separate funds as one common fund to be known and designated as the Montana Trust and Legacy Fund. Chapter 70 of the 1929 Session Laws provides somewhat detailed regulations for carrying into effect this new article of the State Constitution. Under these constitutional and statutory provisions all separate funds may be jointly invested; but Section 10 of the said Article XXI specifically provides that the plan shall not apply to the Public School Fund of the state. The reason for making this exception was that the plan then was new and untried and if it was made to apply to the millions of dollars belonging to the Public School Fund, the voters might be apprehensive of the results and vote down the amendment. The plan has now been tested out; the Montana Trust and Legacy Fund has become a reality. Information has already been given in regard to this fund earlier in this report.

It is believed that this article of the constitution should now be amended and the plan extended so as to include the Public School Permanent Fund and all the other permanent funds arising from the Federal Land Grants to the State of Montana. The plan should be made so comprehensive as to permit the investment of every fund under the administration of the state subject to investment.

Section 1 of Chapter 70 of the 1929 Session Laws contains the following explanation of the plan and its operation:

"Under this plan all securities purchased and all cash on hand will belong jointly to the funds invested; they will share the interest collected on the same

basis, and losses if any will automatically distribute themselves pro-rata over all the funds; but each fund will maintain its separate existence; all receipts for each fund including its share of the interest collected will be added to that fund, and every payment made will be deducted from the proper fund."

Advantages of the Plan

Special safeguards are provided in the Constitution protecting the Montana Trust and Legacy Fund; under the provisions of Section 17 of Article XXI, the Justices of the Supreme Court are constituted a supervisory board over the entire administration of this fund. These safeguards are not available for the separate investment of the individual funds under existing legislation.

The joint investment will permit a much fuller utilization of the various funds; the small balances belonging to the separate funds might not be large enough for individual investments, but taken together they can be advantageously invested. In fact a small fund is very likely to be entirely overlooked and neglected under the primitive plan of separate investments.

Under the unified investment plan all funds large and small will receive the same attention and the same advantage of good investments and receive the same rate of interest.

While it allows a closer investment of each and all funds, it also makes each fund better able to meet any sudden demand upon it, as the entire cash balance belonging to all the funds is available to meet any emergency.

The unified investment plan here recommended does not represent a new-fangled idea; it is not an untried scheme; on the contrary, it is a tested plan that has been followed by every bank and banker throughout civilization for centuries. How could a banker transact business if he had to find a suitable investment for each separate deposit? The unified plan has been found absolutely necessary for investments made by banks and bankers. This bill proposes to extend this plan in the investment of funds under the administration of the state.

Under this proposed plan, we can develop a strong financial institution for the safe, economical and efficient investment of all funds subject to investment by the state itself. Its growing strength and power should be of immeasurable help in carrying out the numerous and increasing functions of the modern state.

The Domestic Allotment Plan

The 1932 report of this department devotes eight pages to the advocacy of the Domestic Allotment Plan -- pages 104 to 111 inclusive. At that time the Domestic Allotment Plan was entirely in its formative stages. My statement was more than a mere exposition of the plan; irrespective of previous proposals for some form of a Domestic Allotment scheme, it delineated in considerable detail a plan which the writer thought would work. It is not claimed that this advocacy of the proposed plan in the 1932 report had much to do with its enactment into law; but the fact remains that all its main points are embodied in the Agricultural Adjustment Act approved by President Roosevelt on May 12, 1933.

Dr. W. J. Spillman, late of the United States Department of Agriculture, is probably the real originator of the plan. Mr. H. I. Harriman, several times President of the United States Chamber of Commerce; Mr. M. L. Wilson, of the Montana State College, now Assistant Secretary of Agriculture; and Mr. Henry A. Wallace, now Secretary of Agriculture, should probably be given the main credit for having the plan enacted into law. The national farm leaders were slow and late in coming to its support. Dr. Geo. E. Farrell now has charge of the administration of the Domestic Allotment Plan applying to wheat. He has devoted a great part of a life time to the study of agricultural problems.

How It Has Worked In Montana

In the case of crop share leases, the state receives the same share of the adjustment payment as the share it receives of the crops. The first adjustment payment applying to the 1933 wheat crop was twenty cents per bushel and the total amount of these payments to this department amounted to $22,852.09. The remainder of the adjustment payment on the 1933 crop will come to about eight cents per bushel and this should bring more than $9,000.00 additional, making the total adjustment payment applying to the 1933 crops coming to this department about $32,000.00. This is $4,000.00 more than the total annual appropriations made by the 1933 Legislature for this department, including the field division.

Information received directly from the Agricultural Adjustment administration, Washington, D. C., is to the effect that the first adjustment payment of twenty cents per bushel applying to the 1933 wheat crop in Montana amounted to $4,361,666.00; and that the second payment amounted to $1,965,000.00. This makes the total adjustment payment applying to the 1933 wheat crop made to farmers throughout the State of Montana $6,326,666.00.

Wider Significance of the Plan

This plan has enabled millions of farmers scattered throughout the United States to work together for one common purpose; and it has demonstrated that controlled and regulated agriculture is to some extent possible. This is an accomplishment of immeasurable and enduring value. Foreign countries, which during the World War and before bought large quantities of wheat and other agricultural products from this country, are now producing sufficient for home consumption and even some for export. This has been brought about and maintained through subsidies and high tariff walls against imports. The leading countries of Europe are straining themselves to obtain economic nationalism -- economic self sufficiency; and this strenuous aspiration shows no sign of abating. It will therefore behoove us to regulate our agriculture and economic life largely on the basis of the home market. Needless to say, we should not overlook any opportunity to truck and trade with foreign countries;

but this should not be permitted to demoralize our home market.

The regulation of agriculture through the Domestic Allotment Plan and such other plans as American statesmen may develop is therefore of far reaching and enduring importance in the protection of our economic well being and independence from foreign domination.

A More Comprehensive Plan

Encouraged by the success of the Domestic Allotment Plan, I have been emboldened to give considerable thought to other economic problems of national scope. The powers of the individual state are steadily shrinking; the powers of the national government are expanding. To accomplish an important thing for a state, it is often found necessary to work through the national government. The Domestic Allotment Plan could not possibly have been carried out by one state alone. In endeavoring to solve some of the problems of this department and this state, it appears necessary to approach them through national planning and legislation. For this reason I want to call the attention of the reader to my plan for "A Supplementary Currency Based on Commodities" and to Senator Erickson's Bill introduced in June, 1934, embodying this plan.

The new plan would retain and strengthen the regulation and control of production embodied in the Domestic Allotment Plan; but it would make the imposition and collection of processing taxes entirely superfluous.

The staggering economic difficulties still besetting us challenge our best thinking and demand boldness of initiative and planning. This is a Republic -- a Democracy; and it is the privilege and the duty even of the most humble among its citizens to give serious thought to its problems.

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A SUPPLEMENTARY CURRENCY BASED ON

COMMODITIES

(This was originally printed on October 18, 1933; certain details are therefore not up to date, but they are not sufficiently important to warrant a revision at this time)

We have already solved one-half of the Great Economic problem of this country; we can produce, and in most cases actually do produce, an abundance of all material goods. We have mountains of wheat and other cereals for bread; butter and cheese, jam and jelly to spread in thick layers upon it; the land flows with cream and drips with honey; we have storehouses filled with vegetables and fruits and fish and meats. We have huge supplies of wool and cotton and rayon for clothing, and a superabundance of materials for housing, be it a cottage of brick or a mansion of marble. This is the age of plenty and abundance. It is s glorious achievement of civilization that this is so. And yet millions want for food, go about in rags and live in hovels. It is not a glorious achievement of civilization that this is so; it is a melancholy proof of the imperfection of our economic and financial system.

To bring about a more unhampered and more nearly just and equitable distribution of our abundant stream of production -- this is the second half of our great

economic problem. It is the overshadowing problem before the United States today, crying and howling and moaning for a solution. We can at least get nearer to a solution than we are at present.

CAUSES OF DEFECTIVE DISTRIBUTION

Among the many causes back of our troubles, let us examine two of the most devastating species. These are:

1. Disproportionate, inequitable and unjust price relations between various commodities and sudden price fluctuations.

2. Our inadequate currency system and top-heavy credit structure.

It is now commonly understood that "equitable exchange relations," that is, prices that are in the right proportion to each other, is the very foundation of exchange, trade and prosperity. It is a matter of common knowledge that for several years the prices on farm products have been only about one-half of what they should have been in proportion to the prices on the articles that the farmer must buy. The man in the factory could surely purchase food at bargain prices; but on account of his pauper wages the farmer was unable to purchase in large quantities farm machinery, building materials, clothing, shoes, and the hundred and one other articles needed for civilized existence. The products of mill and factory could not find a purchaser; the wheels of industry ceased to turn; millions lost their jobs, wages and purchasing power. This in turn further decreased the demand for all kinds of goods and merchandise; other factories were compelled to reduce production. More unemployment, less purchasing power, and more distress were the result.

The Biblical truth that "a man cannot live to himself alone" is literally and powerfully true in business.

Violent price fluctuation, even if the prices could possibly keep in the right proportion, are equally devastating to prosperity. When prices advance rapidly, increased production along all lines will follow, both in raw materials and manufactured goods; industry will increase its reckless speed like a runaway engine racing down a steep grade, finally burying itself in a swamp. At the end of the mad race of gambling and speculation in the fall of 1929, the engines of our economic and commercial life buried themselves in a morass of trouble from which so far all our economic engineers have not been able to set them free.

Falling prices are almost equally disastrous. One would expect that they would result in an immediate increase in buying; but the opposite is the result. The wholesaler, the retailer and the consumer hesitate to buy on a falling market, because they expect prices to be lower next week or next month. Bankers are reluctant to increase loans on falling values. Thus falling prices tend to prolong unemployment and depression until the belief gains ground that the depression has hit rock bottom.

Prices that are equitable for the essential commodities of life and that remain equitable and somewhat steady for a considerable length of time are absolutely essential for the free, abundant and continuous exchange of goods and services; and this is the very essence of our economic and commercial life.

Regulation Necessary

Equitable prices will not establish and maintain themselves; they are affected

by supply and demand, the abundance or scarcity of money, the quality of the money, human selfishness, expressed through thousands of independent agents, and numerous other factors. The economic catastrophics of the past and the troubles of the present furnish painful and abundant proof.

The only satisfactory way in which we can establish and maintain these equitable and constant price relations is through regulation of production, distribution and prices by organization of each large industry itself, including agriculture, under gover ment supervision. We are now attempting to do this in agriculture and the oil industry and to some extent in nearly all large-scale industries. It is, of course, no secret that our larger industrial concerns have for decades exercised considerable control of this nature without government supervision or even sanction; but each industry has acted for itself and inevitably without due regard for other industries.

Regulation Must Be General

It is self-evident that a separate plan for each big industry is not sufficient -- it would not work. Agriculture, industry, transportation, mercantile business financial institutions, and all the interests of labor, must be considered and to some extent regulated as one single gigantic system. The complexities of the problem are staggering. But there is one encouraging element which gives ground for some hope: It may be easier to regulate a number of related industries jointly than to regulate each one separately. Under joint regulation, the self-interest of all will demand fair practices by each. There is here an element of self-adjustment which can only come into play when a number of industries and business institutions are placed under one single controlling power -- an organization of business and industry itself under government sanction and supervision. If water is poured into a number of separate tubes or vessels, different levels will result; but connect them at the base, and the same level will be established in all of them. "Water seeks its level." So with various industries under one general supervision, the prices will tend toward one common level.

We have our choice; either regulation or chaos, catastrophy, disaster and turmoil. The movement now under way toward unified regulation of agriculture, industry and commerce will therefore inevitably continue, urged on by the stern master of necessity.

Regulation of Foreign Trade

It appears self-evident that if we are to regulate commodity prices in the United States we must often disregard world prices, and this in turn will necessitate a more complete regulation of imports. We must base our prosperity mainly upon our own abundant production and the domestic market -- not upon foreign trade. If we were to compete extensively for foreign trade and open our markets wide to the products of foreign labor, cheap, debased and partly enslaved, it would tend to debase our own people. We have only about one-sixteenth of the world's population, but more than one-fourth of its wealth. If we are able to regulate prices, control our home market and manage our domestic affairs, we shall be able to get along splendidly without extensive trade with all the impoverished countries throughout the world. And our prosperity will not deepen their poverty -- just the opposite. Through actual regulation by the government, we might swap large quantities of goods with them to mutual advantage.

Our Inadequate Currency System and Top-Heavy Credit Structure

The regulation of industry toward which we are now working will help considerably to a more liberal and equitable distribution of our abundant stream of production; but we shall not even approach a complete solution of this fundamental problem of distribution unless we provide a satisfactory "medium of exchange" in greater abundance and make it more accessible to all who have goods and services to exchange. In a statement prepared and paid for by the Ford Motor Company, published in July, 1932, "as a contribution to public welfare," we find this remarkable saying: "Give the world a money system that makes it easier for goods to flow from man to man, and all the factories on earth could not begin to supply a tenth of the demand."

This statement is probably somewhat of an exaggeration, but there is a world of vital truth in it. Our stream of production is abundant, but our means of distribution are abominably defective -- woefully inadequate.

One trouble with our present money system is that there is entirely too little real money; and this has resulted in a tremendous credit structure unsafe, dangerous and disastrous in the extreme.

In his notable work, "The Wealth of Nations," published in 1776, Adam Smith points out that when the division of labor has been thoroughly established every man must live by exchanging and "become in some measure a merchant, and the society itself grows to what is properly a commercial society."

"The commercial society" has now fully arrived; we live by exchanging; but the development of our money system has not kept pace with the development of production and the demands for exchange. In place of making the supply of money adequate for the demands of this growing exchange, we have developed a jungle of debts, credits, borrowings, paper values and obligations, and in this jungle we are now ensnared like a bunch of flies in a spider's web. According to the Commerce yearbook of the United States for 1932, page 19, "the combined wholesale, retail and direct trade of the United States for 1929, as revealed by the census of distribution, amounted to 123 billion dollars." But this is not the only demand for the medium of exchange. What about the payrolls in factories, in our mercantile establishments, in advertising and publishing, in the public service of state and nation, including our schools and colleges? What about the payment for professional services, the enormous demand for money on the boards of trade; and what about the huge demand for money in building and construction work and real estate transactions? It seems safe to assume that these activities will double or treble the amount of money actually required for the annual business transactions of the country.

The total amount of money in circulation in the United States on August 31, 1933, was a little below 5.62 billion dollars and it was probably not more in 1929. To attempt to transact this enormous amount of business on less than six billion dollars is like attempting to move a mountain with a wheel barrow. The modern way would be to employ an army of steam shovels.

Shortage of Money and Banking

The shortage of actual money and the disastrous results from an over-developed credit system are painfully evident in the banking business. According to the Report of the Comptroller of the Currency, the total deposits in all state and national banks in the United States on June 30, 1932, was a little above 48.39 billion dollars. All these deposits were payable in money; but the total amount of money on that date, including the money held by these banks, was less than 5.73 billion dollars, or about

one-eighth of the deposits; and certainly not all the money in circulation was held by the borrowers from these banks; far from it. It is obvious that even if the banks could gather in every dollar of money held by these debtors, they could not at the same time pay to their depositors one dollar out of every ten deposited. Our credit structure is rickety and risky and rich in disasters. In every great crisis our commercial life is paralized with fear. We are frozen stiff with terror, apprehensive that one crash will follow another.

In fair weather when everybody believes in continued prosperity, all goes well, but as soon as an economic or financial squall arises, the whole system is in distress. We blame the depositors for withdrawing their money and call them "timid souls". We blame the bankers for being tight-fisted, cold-hearted and lacking in patriotism and courage to meet the demands for financial aid and support. If we open our eyes and understand the simple facts of the situation we shall at once realize that neither the depositor nor the banker is to be blamed for his attitude of caution and apprehension. The depositor certainly has reason to fear that the banker may be unable to repay his deposit; it has happened so many times in the past and happens nearly every day. The banker is equally justified in fearing that the borrower will be unable to meet his obligations to him and that he in turn will be unable to meet the call of the depositor. When we ask the depositor or the banker, any debtor or any creditor, to have complete confidence in this financial structure, we ask him to gamble against a mathematical certainty; we ask him to ignore the repeated experiences of this country with depression and panics from the Civil War to the year 1933. The Guaranty of Deposits will no doubt help considerably; but it will not increase the supply of money, and it will not scale down the top-heavy credit structure.

A Supplementary Currency

The regulation of agriculture, industry and mercantile business toward which we are now working will provide an almost ideal basis for a supplementary currency adequate and adjustable in quantity and constant in purchasing power, by stabilizing the price and value of a great number of commodities in constant and extensive use. These commodities may serve as the measure of value for this supplementary currency and also as the actual values against which it is to be issued.

The proposal to regulate and change the gold content of the dollar from time to time so that it may at all times be able to purchase the same quantity of a given number of important commodities has now become an old story. It has become so respectable that it may be told and discussed even among financiers and statesmen. It must be evident that if this is done, the commodities will become the actual standards and measures of value and not the gold. It seems equally plain that gold has value very largely because it can be exchanged for other things which have actual values in sustaining and protecting human life and in adding to its comforts and pleasures, such as food, clothing, housing, etc.

These things being so, I propose to fix the unit of value of this supplementary currency as a given quantity of each of a number of commodities in common and extensive use, and to let the fraction of the unit represented by each be in proportion to its annual consumption. I further propose that the United States shall issue supplementary currency against these commodities and also against certain other commodities possessing the necessary qualities. In order not to offend the present dollar and its numerous friends, it may possibly be well to give this new currency a new name. Let us call it the "Valunit". Its actual value and purchasing power should be made to correspond as closely as possible either to the average purchasing power of the dollar through a series of years, or to its purchasing power in normal years.

The following tabulation will illustrate what commodities might be used as the basis of the valunit and shows their relative importance:

Kinds of Commodities	Approximate Average Annual Consumption Per Family in the United States	Price Figured	Values	Quantity of Each Commodity to be Represented by One Valunit	Fraction of Valunit to be Represented by Each Commodity
FOOD					
Rice (Rough).....	53 Pounds	$ 0.02½	$ 1.33	0.127 Pounds	.003
Sugar (Refined).....	400 "	0.05	20.00	0.965 "	.048
Wheat.....	1,200 "	0.02½	30.00	2.890 "	.072
Beef.....	250 "	0.25	62.50	0.603 "	.151
Mutton.....	30 "	0.15	4.50	0.072 "	.011
Pork.....	250 "	0.20	50.00	0.603 "	.121
Lard.....	60 "	0.15	9.00	0.145 "	.022
Butter.....	75 "	0.40	30.00	0.181 "	.072
Flax Seed.....	65 "	0.05	3.25	0.156 "	.008
Cotton.....	100 "	0.15	15.00	0.241 "	.036
Wool (In the grease)	20 "	0.50	10.00	0.048 "	.024
FUEL					
Coal, Anthracite....	2.4 Short Tons	11.00	26.40	11.584 "	.064
Coal, Bituminous....	16.0 Short Tons	4.25	68.00	77.233 "	.188
Petroleum, Crude	30.0 Bbls.(42 Gal.)	1.25	37.50	0.072 Barrels	.091
METALS					
Aluminum.....	8.0 Pounds	0.25	2.00	0.019 Pounds	.005
Copper.....	50.0 "	0.15	7.50	0.121 "	.018
Gold (Average Annual Production 1921-1930).....	0.075 Oz.	20.67	1.62	0.0002 Oz.	.004
Silver (Do.).....	2.08 "	1.29	2.42	0.005 "	.006
Pig Iron.....	2,800.0 Pounds	0.01	28.00	6.758 Pounds	.068
Lead.....	40 "	0.07	2.80	0.096 "	.007
Zinc.....	33 "	0.07	2.31	0.072 "	.006
TOTALS			$ 414.34		1.000

The first column in this table does not claim to be highly accurate, but it is sufficiently so to give a very good idea of the relative importance of each commodity enumerated. The number of families is figured at 30 million. It will be noted that the value of the annual consumption of these twenty-one commodities per family amounts to $414.33. By dividing the family consumption by this figure we arrive at the quantity of each commodity to be represented by one unit of value. It will thus represent just about 1 per cent of the annual consumption of each person. The annual gold production in the United States is included in the table simply to show what a small and insignificant part the production of gold really plays in our economic life. Gold should probably not be made a part of the basis for the valunit.

It should be understood that this supplementary currency, the valunit, may be issued against a great many other commodities than these which are used to fix its value. They must, however, be limited to essential commodities that are commonly and extensively used and somewhat non-perishable; that are likely to be so used for a considerable length of time; and that are easily divisible as to quantity or numbers, and that can easily be physically transferred. This will rule out real estate, all other forms of fixed capital, and all stocks and bonds.

More Than One Billion Dollars of Similar Currency Now in Circulation

On August 31, 1933, there was in circulation Federal Reserve Notes in the amount of $2,952,486,534 -- considerably more than one-half of all the money then in circulation. The Federal Reserve Banks are required to keep on deposit in the United States Treasury or with the Federal Reserve Agents actual gold amounting to at least 40 per cent of its circulation; usually a much larger percentage in gold is maintained. The amount of Federal Reserve Notes in circulation above the gold deposit is required to be secured by eligible paper arising out of actual commercial transactions and issued for agricultural, industrial or commercial purposes, secured by goods, wares or merchandise. On August 31 the amount of gold on deposit against the Federal Reserve notes in circulation ($2,952,486,534) was $1,822,153,983. This leaves a balance of $1,130,332,551 which in reality is based on agricultural commodities, goods, wares and merchandise. In addition to this there are considerable amounts of other money in circulation which in reality have the same backing.

There is, therefore, nothing wild or even really novel in proposing to issue a supplementary currency based on commodities. Federal Reserve Notes serve most satisfactorily as actual money, and the supplementary currency here proposed should at least be equally good as it will be based only on strictly new and salable commodities; some of the goods, wares and merchandise backing up Federal Reserve Notes might possibly be old and second-hand. The plan proposed is in reality only an extension of the principles embodied in the Federal Reserve Act.

Bank Checks as Currency

In discussing what may be used as currency, and what devices actually are used as such, we should not overlook the fact that over eighty per cent of all business transactions in this country are paid through checks or drafts on banks. In fact it is commonly estimated that about ninety per cent of the nation's business is transacted through this form of currency. And this form of currency is very largely based on "I owe you," "He owes me," "Everybody owes someone," and "Some people owe everybody;" and yet this check and debt currency does the business as long as confidence prevails; when that fails consternation reigns and business is paralized.

Would not a currency payable in commodities and merchandise, piled high all around you, be at least equally acceptable? And it would certainly be better adapted to maintain business confidence; the goods represented by the currency would be so close, so abundant, so easily obtained, that there would be no room for suspicion, fear and panic. This currency would not be based on faith in a complicated tangle of debts and promises to pay somehow, sometime, but on huge stacks of goods right before your eyes ready and eager to be taken and carried away. The open-face honesty and simplicity of the system would inspire and maintain confidence.

Placing the Supplementary Currency In Circulation

This is an essential part of the plan, as important as the currency itself. With the exception of money issued against gold, money can now be placed in actual circulation only through being borrowed by someone; the debt structure is increased to that extent and rendered more unsafe to that extent. The load of interest is made heavier. This supplementary currency can be placed in circulation without being borrowed, and without interest charges.

The man who has gold sends it to a United States assay office or mint and receives in return gold certificates or other certificates that pass as money. I propose to extend this same inestimable privilege to other commodities, including all enumerated in the foregoing list and numerous others. Let us call this the "coinage privilege".

It would not be necessary to deliver the commodities by physical transfer; it would only be necessary to transfer full and indefeasible title to the United States. Upon such transfer of title, the government would issue in exchange "certificates of value" in valunits at the rates fixed, payable, not in gold but in any of the commodities to which the coinage privilege has been extended. These certificates should be made a legal tender for all debts and obligations hereafter incurred, unless otherwise agreed through contract. Soon they would be eagerly accepted in payment of obligations previously incurred.

It would take a great deal of study and investigation to determine exactly what commodities should be accorded the "coinage privilege" and to what extent. Let it be understood that the commodities in which valunits are measured, are "charter menbers", so to say, and must be designated at the inauguration of the system; but other commodities may be added from time to time.

Needless to say the recipients of these certificates of value will not be required to pay interest on the new currency. The values are in the commodities, not in the certificates. If you deposit money in a bank, the bank will furnish blank checks free of charge for transferring that deposit. These certificates of value issued by the United States are checks in specific amounts for the transfer of commodities payable to bearer. This plan amounts to a free but restricted and regulated coinage not for silver alone, but for dozens of commodities. The holder of the commodity should be granted full right to sell and dispose of it without returning the currency to the United States so long as the quantity of the stock against which the currency was issued is maintained. In fact, the constant renewal of the stock is essential to the maintenance of its intrinsic value.

The Federal Reserve Banks are permitted to substitute new commercial paper for paper which has been paid off or which has become past due. The replacement of merchandise sold with new stock would be an analogous practice.

To Whom Issued

It would be out of the question to issue this supplementary currency to every person and corporation possessing the required commodities; this would lead to chaos and disaster. It must be issued only to associations, organized under new national legislation, which must be enacted to make this plan a reality. It will probably be found necessary to provide for the organization of a considerable number of units within each one of the leading industries of the United States, including agriculture. This legislation will fix the terms and conditions on which the supplementary currency may be issued.

Numerous associations of this kind will give stability to the new currency as each one must be independent of the others.

Inevitable Results

1. It will provide a most powerful and all-pervading stimulus to the immediate revival of agriculture, industry and business. Under present conditions the manufacturer refrains from putting additional men to work because it will tie up more money, increase his debts, and add to his stocks as buyers cannot be found for the increased production. Under this new plan he would be entitled to receive "certificates of value" from the United States, covering the greater part of the cost of production of his stock on hand. These certificates could be used in payment of raw materials and labor. The laborers would, in turn, use these certificates in the purchase of food and clothing and other necessities of life. The laborer is the best business builder in the world. He does not hoard his money. Edward A. Filene is authority for the statement that five-sixths of all the goods and merchandise in the United States is bought and consumed by men whose salaries or wages do not exceed two thousand dollars per annum. The new currency would, indeed, make it easier for goods "to flow from man to man."

2. Regulation of industry through organization of industry and business itself, under government supervision toward which we are now working, is one of the main conditions for the success of this supplementary currency. The issue and regulation of this supplementary currency will in turn furnish the government with more powerful means for the regulation that we are seeking than a mighty army. Congress has the sole power "to coin money and regulate the value therefor". This power carries with it the right to fix the conditions on which it may be issued. The right to obtain and use this supplementary currency will be of such far-reaching value and importance that no industry or business will run the risk of having this right taken away or even curtailed. By tying up the privilege of receiving this supplementary currency and the regulation of its use and retirement, with national regulation of production, distribution and prices, we shall indeed be able to govern the economic life of this country which so far has been running wild, and bring order out of chaos.

The regulation of industry and business through the regulation of the flow of money from government banks, by changing the rate of interest, has long been practiced by the Federal Reserve System of the United States, by the Bank of England, the Bank of France and other central banks of Europe. This supplementary currency would furnish a far more direct and powerful means of control by being issued directly to each separate industry and that without interest.

3. It will largely solve the problem of surplus stocks and that in three distinct ways: (a) Through a greater control of production which will prevent the accumulation of excessive stocks; (b) by tremendously increasing purchasing power and

consumption; and (c) by relieving the sales pressure. As the holder of the surplus stocks can, within reasonable bounds, receive currency for the greater part of their value, the sales pressure will be very materially reduced. The holder of the stocks can do business with the value of these stocks in the form of the new currency. The cost of carrying the stocks will be reduced to the item of storage, fire risk and deterioration. The big item of interest on the investment has largely been eliminated. As far as food is concerned, it is highly desirable that we should carry considerable surplus stocks as a precaution against the possible calamity of crop failures in this country and throughout the rest of the world.

4. By placing several billion dollars of this new currency in circulation, we shall reduce the demand for credits; strengthen all the banks and financial institutions and thereby save business from the devastating effects of money and credit panics.

Conclusion

We have solved the first half of the great economic problem of this country, the problem of production. This far-reaching system for increasing and improving the medium of exchange and making it more accessible, would help toward solving the other half of the problem -- the problem of distribution. Ultimately our system of distribution and exchange may become almost as efficient as our system of production. This is our goal. When that has been accomplished this country will be blest with a prosperity which in the even flow of its abundance, in its general diffusion among all classes of people, and in its extended duration, has never been approached in this or any other country.

Bill Introduced in Congress by Senator J. E. Erickson
Embodying This Plan

It has given me a great deal of encouragement that the plan for a supplementary currency based on commodities appealed to Senator J. E. Erickson to such an extent that he introduced a bill in the Senate of the United States embodying all its main features and creating machinery for carrying it into effect. There are certain defects in the general plan which have been remedied in the Erickson Bill. Senator Erickson represents the judicial type of mind and is well versed in law through deep study and long experience as a judge. Statesmen, students ofeconomic and finance, teachers and professors, men of affairs and all others actively interested in the public welfare, are cordially invited to study the Erickson Bill with an open mind.

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S. 3784

73d Congress
2d Session

IN THE SENATE OF THE UNITED STATES

June 6 (calendar day, June 12), 1934

Mr. ERICKSON (by request) introduced the following bill; which was read twice and referred to the Committee on Banking and Currency

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A BILL

To provide for the issue of a supplementary currency without interest based on certain commodities and payable in commodities; to create a Supplementary Currency Board with power to fix wholesale prices on the commodities on which this supplementary currency is based in cooperation with representatives of agriculture and industry, and to regulate the issue and use of such currency; to provide for the organization of associations in agriculture, industry, and business that may receive such supplementary currency upon giving title to the United States to commodities against which this supplementary currency may be issued; to strengthen the control of production and distribution of the basic commodities directly affected through regulating the issue and use of this supplementary currency; to regulate imports and foreign trade to the extent necessary to protect the economic and financial structure of the United States; and to accomplish other related purposes.

Be It Enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SUPPLEMENTARY CURRENCY BOARD CREATED

SECTION 1. There is hereby created a board to be known and designated as the "Supplementary Currency Board", hereafter in this Act designated as the "Board", which shall consist of thirteen members as follows: Three members to be appointed by the President, subject to confirmation by the Senate, to serve during a term of six years, unless sooner removed, and ten ex-officio members, namely: The Secretary of the Treasury, the Comptroller of the Currency, the Secretary of Agriculture, the Secretary of Commerce, the Secretary of Labor, and all the five members of the Federal Trade Commission.

POWERS OF BOARD

Sec. 2. This Board shall have the power to issue and regulate the use and circulation of a supplementary currency, the value of which shall be measured and determined as fixed quantities of a number of basic commodities in well-established use, and shall be issued against and payable in such commodities to which full title has been transferred to the United States by associations organized under the authorization of this Act to receive and use such currency, all as hereafter provided. The Board shall have such additional powers as are granted by this Act.

AMOUNT THAT MAY BE ISSUED

Sec. 3. The maximum amount of such supplementary currency that may be issued and kept in circulation shall from time to time be determined by Congress. There may be issued and kept in circulation at any one time, without further authorization from Congress a total amount not exceeding $5,000,000,000 of such currency.

COMMODITIES ON BASELIST

Sec. 4. The commodities by which the value of this supplementary currency shall be measured and determined shall be as follows: Rice (rough), sugar (refined), wheat, barley, oats, corn, beef, mutton, pork, lard, butter, flaxseed, cotton, wool, anthracite coal, bituminous coal, crude petroleum, aluminum, copper, lead, pig iron, silver, zinc, and lumber.

The Board may in its discretion add other basic commodities to the foregoing list before the completion of the system and the issue of the first currency; but the total number of commodities, including these additions, shall not exceed thirty. The completed list shall be known as the "baselist".

No commodity shall be included in this list unless it is a basic commodity, produced chiefly in this country, used in large quantities, and well established throughout the United States; somewhat nonperishable, at least through commonly applied refrigeration or other well-established method of preservation, and easily divisible as to quantity or number, so that it may easily be delivered physically in large or small quantities.

FRACTION OF COMMODITY DOLLAR REPRESENTED BY EACH COMMODITY

Sec. 5. The unit of this supplementary currency shall be known as the "commodity dollar". The fraction of the commodity dollar to be measured, determined, and represented by each commodity of the base list shall be in proportion to the value of the total average annual use and consumption of such commodity in the

United States, including Alaska, to be ascertained and determined by the Board. The value of all the commodities constituting one commodity dollar, as enumerated and fixed in the base list, shall be equal to the average purchasing power of the American dollar from July 1, 1909, to June 30, 1914, as nearly as the same can be ascertained.

FIXING OF PRICES

Sec. 6. The Board shall ascertain and fix, according to actual values, as nearly as the same can be determined, and according to the procedure prescribed in section 7 hereof, the wholesale prices of all the various commodities of the base list. Such wholesale prices shall be ascertained and fixed on one or more specific grades or classes of each of such commodities, at the principal terminal markets or principal manufacturing or production or shipping centers throughout the United States, according to the kind of the commodity.

In the case of agricultural crops and other seasonal products, the Board may fix a sliding scale of prices for different times of the year, increasing gradually from the time when the crop or product is first available for the market up to the time that the next succeeding crop or product is available, the price to increase sufficiently to offset the cost of storage, depreciation, and all other carrying charges.

PROCEDURE TO DETERMINE PRICES

Sec. 7. (a) The basis for determining prices shall be the same for all commodities. The necessary investment in land, buildings, machinery, power, raw materials, and equipment of all kinds shall be figured at the same rate of interest; depreciation and obsolescence shall be calculated as accurately as possible; the necessary human labor shall be figured at a living wage and at the same rate for the same grades of labor for all commodities; all necessary operating costs, freight charges, and all other known elements affecting the cost of production shall be taken into account.

(b) Before determining and fixing such prices the Board shall invite organizations of each branch of agriculture and of each branch of industry growing, manufacturing, or producing any of the commodities of the baselist to send accredited representatives to Washington, District of Columbia, to study the entire problem and endeavor to agree upon the prices for all such commodities. The Board may in its discretion designate the number of such representatives for each branch of agriculture and for each branch of industry and may also indicate the method of procedure. All statistics and other information not of a confidential nature available in all the departments of the Government shall be made accessible for the use of this conference. All officers and employees of the Government shall furnish information and advice when called upon to do so. The Board shall furnish at the expense of the Government a suitable meeting place, together with necessary equipment and stationery for the conduct of the business of the conference. No salary or compensation of any kind shall be paid to these representatives by the United States.

(c) The final determination of all prices shall be made by the Board.

CHANGES IN VALUE

Sec. 8. Whenever, through invention, discovery, crop failures, war, or any other cause, the actual value of any commodity of the base list has undergone a

substantial change, the Board may by the unanimous vote of its thirteen members change the price thereon so as to correspond to the actual value as nearly as this can be ascertained. Such changes shall thereupon be made in the baselist as the Board finds necessary in order to preserve the original value of the commodity dollar. The value of all supplementary currency then outstanding and of all such currency thereafter placed in circulation while such changes are in effect shall thereupon automatically be measured and determined by the new baselist.

If the change in value in any commodity of the baselist appears to be temporary in nature, the Board may, in place of making changes in the baselist, authorize the payment of a premium above the price fixed for such commodity, or may order that the same shall be sold at a discount.

MAY BE ISSUED AGAINST COMMODITIES NOT ON BASELIST

Sec. 9. This supplementary currency may be issued against other commodities than the commodities constituting the baselist. It may be issued against certain kinds of commodities having the same general properties as the commodities by which the value of the commodity dollar is measured and determined according to the baselist. The Board may by the unanimous vote of all its thirteen members designate such additional commodities and kinds of merchandise against which such currency may be issued. These may include wheat and rye flour; other cereal products and canned foods; cotton cloth, woolen cloth, leather, and specified products made from these three; specific items made from metals and crude petroleum; building glass; print paper; and so forth. Currency shall be issued only up to a certain percentage of the wholesale price of such commodities and merchandise at the main points of distribution throughout the United States, and the percentages shall be fixed by the Board.

DENOMINATION AND FORM OF CURRENCY

Sec. 10. This supplementary currency shall be issued in the same denominations as the present currency of the United States, but all money in the denomination of one dollar or above shall be in the form of paper bills, and shall have inscribed thereon the words "payable in commodities as provided by law", or other words conveying this meaning. Money in lower denominations than one dollar shall be coined from light, cheap, and durable metal. All other details with regard to the form of such currency, both in paper and in metal, shall from time to time be prescribed by the Board. The finished currency, both paper money and metallic money, shall be in the custody of the Treasurer of the United States and the Comptroller of the Currency to the same extent and in the same manner as other money of the United States, but subject to the orders of the Supplementary Currency Board as to distribution. The paper bills shall be prepared by the same agencies of the Government as are now preparing the paper bills of the United States, and the metallic money shall be coined by the same agencies that are now coining the metallic money.

LEGAL TENDER

Sec. 11. The supplementary currency hereby authorized shall be accepted by the United States in payment of taxes, excises, import duties, and all other obligations due the United States. It shall be a legal tender for all purposes unless otherwise specified by contract, except that the metallic money shall only be a legal tender within the same limits as the present corresponding subsidiary coins

of the United States. Except as to the metallic money, this currency shall be unconditionally accepted in payment of all commodities and merchandise against which it is issued, in accordance with the prices of the baselist and other prices which may have been fixed by the Board.

ISSUED TO REGIONAL ASSOCIATIONS ONLY -- FORMATION AND REQUIREMENTS OF ASSOCIATION

Sec. 12. (a) Such currency shall be issued only to regional associations formed under this Act in the principal branches of agriculture directly affected by this plan and in each one of the industries so affected. The Board shall have the power to determine the number of such associations and define the territory that they shall serve, following State lines as far as practicable; but the branches of agriculture and the branches of industry affected shall have the right to submit preliminary plans. It is the idea of this plan that such associations shall cover all of the United States, including Alaska, without overlapping, and shall include all the producers of agricultural commodities and all manufacturers, other producers, and dealers and distributors to which this plan applies and who desire to come in under its provisions.

(b) The Board shall require that each regional association shall either have actual resources of its own or shall have pledged and made available to it money payable upon demand from the various persons, associations, and corporations constituting the regional association so that each of these regional associations may be possessed of high financial responsibility.

(c) The Board shall issue a license to each of these regional associations meeting the necessary requirements defining its powers and obligations, but before the issue of such license the regional associations must adopt a code of business practices acceptable to the Board and approved by it. One of the provisions of this code must be an unconditional agreement to make a fair distribution of the supplementary currency received under this Act to all persons, associations, and corporations forming parts of the regional association, big or small. In order that monopolies may be prevented, no consolidation of business within any association shall be permitted without the express approval of the Board.

(d) Every regional association so formed which does not have sufficient storage and warehouse facilities for the crops, products, or other commodities directly handled by it must, before the license is issued, make arrangements satisfactory to the Board for obtaining such warehouse and storage facilities through lease or through purchase. The association concerned shall be authorized and required to set aside a certain percentage of the purchase or sales price of the commodities handled sufficient to pay the annual rental under the lease or to amortize the purchase price, or make other satisfactory arrangements to meet such payments.

AMOUNTS AND CONDITIONS OF ISSUE

Sec. 13. The amounts of currency that may be issued against the various commodities shall in a general way be in proportion to the value of the total, average, annual use and consumption of such commodities; but consideration shall also be given to the quantity of each commodity that must from time to time be carried in stock or storage and to the durability and nonperishableness of such commodity. The Board shall have the power to prescribe in detail the terms upon which such supplementary currency may be issued to the regional associations. All associations applying for

such currency must agree to cooperate in the regulation of production or output and to abide by the price regulations in all cases where prices are fixed. Associations engaged in the purchasing and forwarding from the producers to the terminal markets of agricultural crops or other products must among other things agree to the following conditions:

(a) To purchase only from producers that have come in under the National Control Acts heretofore or hereafter enacted limiting the acreage that may be devoted to wheat crops or other crops, or fixing a maximum number or quantity of other commodities that may be produced from given tracts or areas of land, or otherwise, by each person, association, or corporation.

(b) To pay the prices fixed for the specific grades of commodities or products at the most accessible terminal markets, less the necessary storage and handling charges, including deduction for shrinkage and other usual costs and charges.

(c) To sell at the prices fixed and to sell only to manufacturers, millers, and other actual users of the commodity or product, except exports to foreign countries and except also upon specific authorization of the Board. The commodity handled must be fairly distributed to actual users without any discrimination so that monopolies may be prevented.

PROCEDURE FOR OBTAINING CURRENCY -- RIGHTS AND LIABILITIES OF ASSOCIATIONS

Sec. 14. (a) In order to obtain supplementary currency under this Act a regional association must make application to the Board, and this application must contain an itemized inventory showing the quantities, grades, and locations of all the commodities against which this currency is to be issued and must convey full, clear, and indefeasible title to the United States to such commodities. The Board shall be the sole judge of what amount of currency shall be issued and delivered to such association under each application: PROVIDED, HOWEVER, That perfect fairness must at all times be shown to all applicants, taking into consideration all conditions bearing on the granting of the applications.

(b) No interest shall be charged on such supplementary currency, but a charge shall in each case be made sufficient to defray the full cost of the preparation and forwarding of such currency. In addition to full ownership of the commodities against which the currency has been issued, the United States shall also have a lien on all property and assets owned by the association or pledged to it for any loss which the United States might sustain through such association and for any claims which the Board may hold against it. In addition hereto every regional association shall also be responsible to the Board, in a sum not exceeding 2 per centum of the average annual amount of the currency that it has held, for any losses which the Board may sustain during any one calendar year through other regional associations for the same kind of commodity.

(c) Every association shall have the right to sell and dispose of the commodities to which title has been transferred to the United States, and against which currency has been received, in the ordinary and regular course of business and to replace the commodities so sold with new commodities so long as the ratio of the amount of the currency received by the association to the value of the commodities on hand does not exceed the ratio fixed by the Board. Before the ratio of the currency received and in use by the association exceeds such ratio, it shall promptly retire a sufficient amount of such currency and return to the Board to keep within the requirements.

SHIPMENT ON CONSIGNMENT

Sec. 15. When such supplementary currency is issued to an association against finished merchandise as authorized by this Act, such association may under rules to be prescribed by the Board ship such merchandise on consignment to dealers to be paid when sold, and merchandise so consigned shall be considered as a part of the merchandise on hand by the regional association: PROVIDED, HOWEVER, That the association shall charge no interest on goods so shipped and consigned, that the dealer shall sell such goods for cash only, and that the regional association shall be fully responsible to the Board for the goods so shipped and consigned.

ADVANCES MADE BY THE REGIONAL ASSOCIATION TO PRODUCERS

Sec. 16. Associations receiving such currency may under regulations prescribed by the Board advance such currency to producers up to a certain percentage of the crops or products actually on hand and safely stored in warehouses: PROVIDED, HOWEVER, That no interest shall be charged on currency so advanced and that the association shall be fully responsible to the Board for all such advances.

REPORTS

Sec. 17. The regional associations shall from time to time make such reports as the Board may require. These reports shall show the amount of such supplementary currency for which the association is responsible, showing separately how much is in actual circulation, and how much is on hand and the quantities, grades, and locations of all commodities and merchandise against which such currency has been issued. The reports shall show separately what goods, if any, are out on consignment and to whom shipped; what advances, if any, have been made against crops or commodities in warehouses; and shall be in such form and shall contain such additional information as the Board may prescribe.

WITHDRAWAL OF CURRENCY -- FINES

Sec. 18. The Board shall have full power to order the partial or complete withdrawal of currency issued to any association for a fixed length of time in case the association has failed, neglected, or refused to comply with the provisions of this Act relating to such currency and the regulations and orders of the Board made pursuant thereto.

The Board shall also have the power to impose fines for failure to comply with such orders of withdrawal, but such fines shall not exceed 1 per centum of the amount ordered to be withdrawn for each ten days or fraction thereof that the withdrawal repayment remains delinquent. The Board may also impose fines for other violations of this Act and regulations of the Board made thereunder, but no such fine shall exceed $25,000.

FINES AND PENALTIES FOR COUNTERFEITING

Sec. 19. Counterfeiting of any of the currency authorized by this Act shall be subject to the same fines and penalties that are now prescribed and that may hereafter be prescribed for counterfeiting the other currency of the United States.

REPEAL OF PROCESSING TAXES

Sec. 20. When the price fixed for any one commodity on which a processing

tax has been levied, has become effective, and the levying and imposition of processing taxes for such commodity can be discontinued without impairing any contracts entered into by officers of the United States, the processing taxes for such commodity shall cease. The President shall by proclamation fix the time for the discontinuation of such taxes.

REGULATION OF IMPORTS

Sec. 21. Whenever the Board finds the price fixed on any commodity under this Act is threatened through the importation of commodities or merchandise from foreign countries, or that the general plan of this Act is threatened by such importation, the Board shall report the facts and circumstances to the Tariff Commission, and the Tariff Commission shall thereupon increase the import duties and take such other action as may be found necessary in order that importation from foreign countries may not interfere with this plan. The action of the Tariff Commission shall be made effective through proclamation by the President.

ORGANIZATION OF THE BOARD -- APPOINTMENT
OF OFFICERS AND EMPLOYEES -- COMPENSATION

Sec. 22. The Board shall organize by the selection of one of the three members directly appointed to the Board as chairman, one of them as vice president, and the appointment of a secretary who shall not be a member of the Board. The Board shall have the power to appoint without regard to the civil-service laws, or regulations thereunder, such other officers, experts, and employees as may be found necessary for the proper discharge of its duties: PROVIDED, HOWEVER, That the Board may call upon any expert already in the service of the Government for information and advice insofar as this will not interfere with his regular duties.

The ten ex-officio members of this Board and the experts regularly engaged by the Government in other branches of service shall not receive any additional salary or compensation for their services on this Board. The three members directly appointed on the Board shall each receive a salary of $10,000 per annum. The salaries of the other officers, experts, and employees shall be fixed by the Board, subject to the Classification Act of 1923 and amendatory acts: PROVIDED, HOWEVER, That no such salary shall exceed $10,000 per annum.

ADDITIONAL POWERS

Sec. 23. In addition to the powers specifically granted to the Supplementary Currency Board, the Board shall have such additional powers as are necessary to carry out the intent and purpose of this Act.

SUMMARY OF THE BILL

IT PROPOSES:

1. The Issue of Five Billion Dollars of Commodity Currency -- to Begin With -- Directly to Associationsin Agriculture and the Basic Industries Without Any Interest.

2. The Control of Production, Distribution and Wholesale Prices of the Basic Commodities Directly Affected Largely Through Regulating the Issue and Use of This Supplementary Currency.

3. The Control of Imports and Foreign Trade to the Extent Necessary to Protect the Economic and Financial Structure of the United States.

IT IS CLAIMED FOR THIS PLAN:

1. That the Commodity Currency Here Proposed Would Remain Far More Stable in Purchasing Power than Gold.

2. That it Would Restore the Purchasing Power of Agriculture Without the Imposition of Processing Taxes.

3. Furnish an Immediate and Powerful Stimulus to the Revival of Private Business and Enterprise; and

4. Thereby Create a Vast Amount of Employment and Reduce the Necessity for Public Works and Relief.

5. That it Would STABILIZE Business; Scale Down the Top-heavy Credit Structure and to a Great Extent Prevent Devastating Money and Credit Panics.

6. THAT AS FAR AS PRODUCTION AND PRICE REGULATION IS CONCERNED, THE PLAN IS IN FULL ACCORD WITH THE INEVITABLE EVOLUTION OF ECONOMIC CONTROL THROUGH COOPERATION BETWEEN BUSINESS AND GOVERNMENT BOTH IN THIS AND FOREIGN COUNTRIES.

HISTORY OF THE FEDERAL LAND GRANTS
(Reprinted from the Last Biennial Report)

As all the affairs of the department appear to originate in certain land grants from the Federal Government to the State of Montana, it seems appropriate to give a brief history of these grants. But let us not blindly assume that these land grants constitute the real origin; by such assumption we should fail to realize their deeper significance. Back of these magnificent gifts there lies a great purpose; and to understand this purpose we must understand the spirit that actuated the givers -- the Fathers of this Republic -- and the age in which they lived.

The idea and purpose of the federal land grants date back to an age that represents a great turning point in human affairs, especially in the sphere of government and social organization, but at the same time an age of darkness and gloom and narrowness and poverty as compared with the richer, larger and sunnier life prevailing throughout large portions of the civilized world today. In that age a government in which all the people had some share was practically unknown; the education of the masses had never been tried and was dreamt of only by a very few; whatever enjoyment and comfort and culture there were for a small portion of society rested very largely upon the enforced toil and drudgery of the masses, and even upon the actual commercial ownership of a great number of human beings by others through the black institution of slavery.

But in this same age there also lived a growing number of altruistic men endowed with sympathetic comprehension of human life and inspired with visions of its liberation and enrichment. In the minds of these there gradually dawned a luminous truth, a guiding light -- the consciousness of the worth and value and dignity of the common human life. Listen to the immortal words of Thomas Jefferson in the Declaration of Independence: "We hold these truths to be self-evident: That all men are created equal; that they are endowed by their Creator with certain inalienable rights; that among these are life, liberty and the pursuit of happiness." These truths embody a deep realization of the essential equality of all men, a profound respect and a devout esteem for human life as such, and they breathe the fruitful spirit of living sympathy with a struggling race. It is in reality the spirit of awakening humanity itself speaking through the founders of a nation.

In this spirit and on these principles, our forefathers founded the most stupendous experiment in democracy that the world ever saw; and it is worth noting that this spirit and these principles still remain among the most vital forces in improving political government and social organization. It was the earnest faith and fervent hope of the fathers that this form of government more than any other would insure a high degree of liberty, foster equality, and "aid in the pursuit of happiness". But they realize that in order to make this form of government a successful and enduring institution it was necessary to educate the masses. So they encouraged the establishment of public schools and inaugurated the policy of granting lands to aid in their perpetual maintenance.

The earliest educational land grants which I have been able to discover date back to the Continental Congress. On May 20th, 1785, this body passed an ordinance reserving "the lot No. 16 of every township for the maintenance of public schools within the said township". This ordinance of the Continental Congress applied only to the "Western Territory", embracing the present states of Wisconsin, Illinois,

Indiana, Ohio and Michigan; but from the grants then made developed the general policy of the United States of granting lands for the support of schools. It was gradually extended to all new states having public lands, and the grant was increased to cover two or more sections in each township.

The adoption of this policy is undoubtedly one of the great events in American history. The Public School has wrought mightily in the marvelous making of America. It has been a great power in liberating and enriching the life of the individual, and it has proved itself the most powerful agency under the control of the state for moulding the various and numerous elements of our population into one people and one nation.

There is one other act in the development of the land grant policy of the United States which has had such far-reaching effects that it is more than worthy of special mention. This is the Morrill Act, so named after its author, Justin Smith Morrill, of Vermont. He served as a member of the House of Representatives from 1854 to 1866 and was a member of the Senate from 1867 to his death in 1898. Briefly stated, the act that he formulated provides for the granting "to the several states" of thirty thousand acres of land for each senator and representative in Congress for the "endowment, support and maintenance of at least one college where the leading object shall be . . . . to teach such branches of learning as are related to agriculture and the mechanic arts . . . . in order to promote the liberal and practical education of the industrial classes in the several pursuits and professions of life". This Act was first passed by Congress in 1857 but vetoed by President Buchanan. It was passed a second time in 1862 and approved by President Lincoln on July 2 of that year. Various amendatory and supplementary acts have been passed since that time. Under these acts some seventy colleges have been established throughout the Union.

It is impossible to estimate the enormous benefits that have resulted from these institutions to a country and in an age in which "agriculture and the mechanic arts" have played such a dominant part in the forward march of civilization and in the liberation and enrichment of human life.

The federal land grant policy has been made applicable to the State of Montana mainly through the Enabling Act, admitting the state into the Union. Section 14 of the so-called Organic Act, creating the Territory of Montana "reserved" sections sixteen and thirty-six in each township for school purposes; but the real grant is made through the Enabling Act. Minor grants for various purposes have been made through subsequent acts. The following statement enumerates all our land grants, showing the acreage of each, and makes reference to the acts under which they were made:

FEDERAL LAND GRANTS TO THE STATE OF MONTANA

Public School Grant. (Sec. 10 of Enabling Act.)

This grant embraces Sections 16 and 36 of each township of the state outside permanent national reservations, and makes provision for selecting lieu lands for such of these sections that have been lost to the state. Total grant about.....	5,188,000 acres

State University Grants.

Section 14 of the Enabling Act grants seventy-two sections, to be sold for not less than $10 per acre, the proceeds to constitute a permanent fund, "the income thereof to be used exclusively for university purposes"; total grant.....	46,080 acres	
The Act of Congress approved March 9, 1904, (33 Stat. 64) grants the south half and the south half of the north half of Sec. 26, Twp. 13N, of Rge. 19 West, adjoining the original campus "for university purposes".....	480 acres	
The Act of Congress of March 3, 1905, (33 Stat. L. 1080) grants 160 acres for a biological station; this land has been selected on Blue Bay on Flathead Lake.....	160 acres	
Total.....		46,720 acres

Agricultural College Grants.

Sec. 16 of Enabling Act Grants..... (This is really the Morrill Grant made applicable to Montana.)	90,000 acres	
Sec. 17 of Enabling Act makes an additional grant of.....	50,000 acres	
Total.....		140,000 acres

Grant for School of Mines.

Sec. 17 Enabling Act.....	100,000 acres

Grant for State Normal Schools.

Sec. 17 Enabling Act.....	100,000 acres

State Reform School Grant.

Sec. 17 Enabling Act.....	50,000 acres

Deaf and Dumb Asylum.

Sec. 17 Enabling Act.....	50,000 acres

Grants for Public Buildings at the State Capital:

Sec. 12 of Enabling Act.....	32,000 acres	
Sec. 17 of Enabling Act.....	150,000 acres	182,000 acres
Total of all these grants.....		5,856,720 acres

MINOR GRANTS

Militia Camp.

The Act of Congress approved February 13, 1891, (26 Stat. 748), grants to the State of Montana one section of land within the abandoned Fort Ellis Military Reservation in Gallatin County for a permanent militia camp "or other public uses". The state selected the following lands for these purposes:

SE$\frac{1}{4}$ SE$\frac{1}{4}$, Sec. 10; the N$\frac{1}{2}$, the SW$\frac{1}{4}$, the W$\frac{1}{2}$SE$\frac{1}{4}$ and NE$\frac{1}{4}$ SE$\frac{1}{4}$ of Section 15, all in Twp. 2 S. of Rge. 6 E. By State Senate concurrent resolution approved January 30, 1923, this land is now dedicated to the Agricultural Experiment Station.

Grant for Soldiers' Home.

The Act of March 2, 1895 (28 Stat. 938), authorizes the Governor of the State of Montana to select two sections of land within the abandoned Fort Maginnis Military reservation in Fergus County, "for the maintenance of a soldiers' home, or for other public purposes". But the act further provides that these lands shall be in part satisfaction of the lands already granted to the state by section 17 of the Enabling Act, and consequently this act does not increase the total grants to the State. The State selected a total of 1275.61 acres in sections 1 and 2 of Twp. 16N. of Rge. 20 E. and in Sections 34 and 35 of Twp. 17N. or Rge 20E. and deducted this acreage from the State Reform School Grant. At this writing a total of 218.84 acres has been sold at the price of $18.00 per acre, leaving unsold 1,056.77 acres. All income is available for the maintenance of the Soldiers' Home at Columbia Falls.

Grant for Agricultural and Manual Training School.

The Act of Congress approved February 11, 1915 (38 Stat. 807), authorizes the granting to the State of Montana of 2,000 acres of land at the price of $2.50 per acre within the abandoned Fort Assiniboine Indian Reservation for the establishment of an "agricultural, manual training or other educational institution". The land carried with it valuable buildings. By act of the State Legislature approved March 8, 1913, the State of Montana had already made a provision for consummating this deal with the United States, and had established and located "The Northern Montana Agricultural and Manual Training School" at Fort Assiniboine (Sections 917 to 925 of the Revised Codes of 1921). The two thousand acres of land were subsequently selected in Sections 21, 22, 27, 28, 29, 32, 33 and 34 of Twp. 32N. of Rge. 15E., in Hill County.

State Penitentiary.

The last three lines of Section 15 of the Enabling Act read as follows: "The

penitentiary at Deer Lodge City, Montana, and all lands connected therewith and set apart and reserved therefor, are hereby granted to the State of Montana". As far as known this is the smallest land grant made to the State, embracing a little less than nine and three-fourths acres, but it has an interesting history which has been furnished by Frank Conley, a former warden of the State Penitentiary, a summary of which is as follows:

Under date of October 20, 1864, J. S. Pemberton, C. A. Broadwater, and others incorporated as the Deer Lodge Town Company and by the same instrument they also "pre-empted" under a certain townsite act 32 acres of unreserved land on the Deer Lodge river.

Under date of January 16, 1868, these incorporators proceeded to plat this as "Deer Lodge City, in Deer Lodge County, Montana Territory". The plat was d for record in Deer Lodge County August 6, 1869.

Under date of March 3, 1868, this townsite company deeded certain blocks to e United States of America in consideration of the sum of $500.00 for penitentiary purposes.

Under date of June 29, 1868, the same townsite company executed a quit claim deed to the United States of America covering the same land in order to convey better title. This conveyance covers all of Blocks 90, 104, 115 and parts of Blocks 89, 105, 114 and parts of certain streets, containing in all 420,320 square feet, according to the plat of Deer Lodge City at that time.

Since that time the plat has been changed and according to Frank Conley the land above described is the same as Blocks 52, 53, 62 and the E½ of Blocks 63 and 67 of the present townsite.

It appears that at the time of these conveyances to the United States, the Deer Lodge Town Company had not obtained good title from the United States to the land embraced within the townsite. Under date of June 15, 1872, the United States of America issued a patent to D. P. Newcomer, Probate Judge of Deer Lodge County, Montana Territory, to the land originally pre-empted by the townsite company and platted as Deer Lodge City to be held "in trust for the several use and benefit of the occupants of the townsite of Deer Lodge according to their respective interests". There is no record of any conveyance from Judge Newcomer to the State of Montana, but the last three lines of Section 15 of the Enabling Act, above quoted, do undoubtedly give title to the State of Montana to the land in question together with all buildings and improvements thereon.

The complete history of the penitentiary grant has been presented to the State Historical Library.

THE END